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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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## CEASE-FIRE IN VIETNAM

### STARTING TO STABILIZE

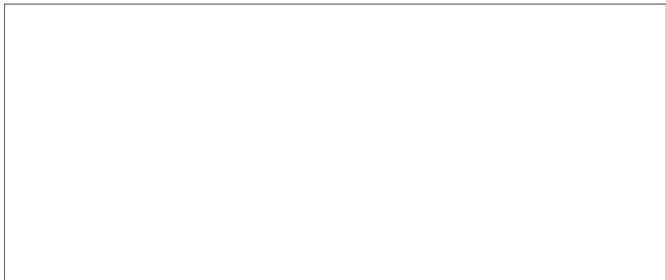
The pace of military activity by both sides slowed down even further this week as the Tet holiday began and cease-fire teams started moving into the field. The Communists did launch a number of small-scale actions including hamlet penetrations, road interdiction, and light shellings; their main forces throughout the country seemed largely content with their current holdings.

Saigon's forces have generally been occupied with road and hamlet "clearing" operations. The only major battles of the week erupted in the hills west of Hue when a part of the South Vietnamese 1st Division twice took on a North Vietnamese tank and infantry unit. The South Vietnamese claim to have knocked out at least eight tanks. With some important exceptions, many highways have been reopened to traffic.

One of the most troublesome recent Communist gains came in the coastal area of southern Quang Ngai Province and northern Binh Dinh Province where the enemy effectively controls nearly 15 miles of Route 1 and some of the surrounding area. The Communists are already landing supplies by sea along the coast in this sector. The closure of the only north-south road cuts off Saigon from road access along the coast to the northern provinces.

reconstruction and development of the homeland. This line has been getting so much emphasis that the regime would risk its credibility if it were to go on demanding heavy levels of support for the struggle in the South.

It is beginning to appear, in fact, that the accords symbolize a real turning point in Hanoi's strategy to unite North and South. The North Vietnamese may be hoping to follow the pattern of other divided countries, where economic development in the two sectors, together with the simple passage of time, has eventually narrowed differences and modified political policies.



### Hanoi Talks Reconstruction

Hanoi's propaganda is still speaking euphorically of the new era opening up for the citizens of North Vietnam. From now on, the people are being told, their efforts must be turned to the

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**Gaining on the Diplomatic Front**

The move to establish diplomatic relations with North Vietnam is gathering momentum. Canada's recognition of Hanoi on 7 February, along with Australia's announcement that it has similar plans, will probably prompt other countries, particularly in Western Europe, to move in this direction. Italy, the Netherlands, and France are all seriously considering recognition. A British Foreign Office official said recently that London saw no need to recognize Hanoi immediately, but acknowledged that a rush to do so by other members of the European Community could influence Britain's own attitude.

Thieu is using the election specter to promote greater unity among non-Communists. The President met with another group of political and religious leaders last weekend—the second such gathering in less than a week. He told them that as part of a peace settlement, it might be necessary to hold an election for a constituent assembly to draft a new constitution. Those present suggested a national advisory group as a possible way of getting more direct access to the President, and Thieu agreed to let them form one.

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In dealings with the North Vietnamese and Viet Cong delegations to the Four-Party Joint Military Commission, South Vietnamese military officials have adopted a cool but correct attitude. The government has been making efforts to keep the Communists from circulating freely around Saigon and from establishing contacts with local sympathizers. Such restrictive tactics may become more of a problem now that Joint Commission teams are starting to fan out into the regions.

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Hanoi is gratified by all this activity and almost certainly will raise no objections if countries seeking relations already have ties with Saigon, but the North Vietnamese clearly will not accept a lower level of relations than those maintained with Saigon.

**Thieu Talks Election**

The South Vietnamese government and people generally have taken the cease-fire agreement and related developments in stride and are going about their business as usual. President Thieu has been publicly demonstrating a desire for a quick agreement in the current political negotiations with the Viet Cong, while charging that it is the Communists who are likely to try to prolong the talks as they try to expand their limited hold over the country's land and population. In a Lunar New Year address last weekend, Thieu warned the people that the most pressing problem for the coming year was to ensure that the Communists would be defeated in any future election.

With the signing of a Vietnam cease-fire and with chances for one in Laos looking good, the spotlight has begun to swing to Cambodia and the prospects for an end to the fighting there. If President Lon Nol had been entertaining hopes that the Khmer insurgents would reciprocate his suspension of military operations, these hopes went aglimmering this week, as insurgent troops continued to harass government positions along major highways. A multi-battalion insurgent force shelled and launched ground attacks against Cambodian outposts along routes 1 and 15, east of Phnom Penh. In the south, insurgent pressure closed several sections of Route 2—action that may be designed to screen the movement of some North Vietnamese troops across the border into

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South Vietnam. To the west, other insurgent forces that had operated along Route 4 faded away with the arrival of government reinforcements.

These military attacks stand as a sharp rebuff to the ostensible leader of the Cambodian insurgents, Prince Sihanouk, who last week publicly proposed in Hanoi that his forces emulate Phnom Penh's military standdown. The Khmer Communists' intransigence indicates they were not swayed by Sihanouk's claim that Hanoi as well as Peking supported his proposal. An early end to the Cambodian fighting may well hinge largely on Hanoi's willingness and ability to bring the insurgents into line. On 6 February, Sihanouk publicly emphasized that he had the strong political support of both Peking and Hanoi and that the solution to the Cambodian problem depends on US recognition of his "government." The joint communique issued in Hanoi on Sihanouk's departure on 7 February did not shed new light on prospects for a cease-fire, but it did support Sihanouk's claim to be the "legal" head of the Cambodian state.

Reconciliation, Anyone

There is at least one prominent opposition politician in Phnom Penh actively working for peace. Former Democratic Party chief In Tam is pushing a plan for the creation of a small government-insurgent commission that would revise the constitution and organize internationally supervised free elections within one year. Following the elections, government and insurgent armed forces would be merged. The plan includes the retention of Lon Nol as president and excludes Sihanouk from any role.

The plan may die on the drawing board, since Lon Nol previously has been lukewarm about peace talks with the insurgents and is suspicious of the ambitious In Tam.

RACING THE DEADLINE IN LAOS

Two weeks ago government leaders in Vientiane predicted that a cease-fire in Laos could be arranged by 12 February. As the deadline approaches, leaders from both sides appear to be trying to make up for earlier procrastination and to be seriously grappling with the real issues. Late last week the senior Lao Communist representative, Phoumi Vongvichit, arrived back in the Lao capital saying he had come with "full powers to negotiate and conclude an agreement." Phoumi has closeted himself with Prime Minister Souvanna Phouma several times this week, and the two are apparently working out the broad outlines of a political and military settlement. Once agreement is reached on the basic issues, lesser delegates presumably will be sent back into secret session to work out the details of a cease-fire arrangement.

Communists Have the Initiative

Recent government reversals on the battlefield could complicate cease-fire negotiations.

On the Bolovens Plateau, North Vietnamese troops on 8 February forced irregulars to abandon Paksong and appeared ready to push west along Route 23 again. North of the Plateau a 3,000-man irregular force, composed in part of units that have been on the line for almost three months, finally broke under attacks and began pulling back toward government lines to the west.

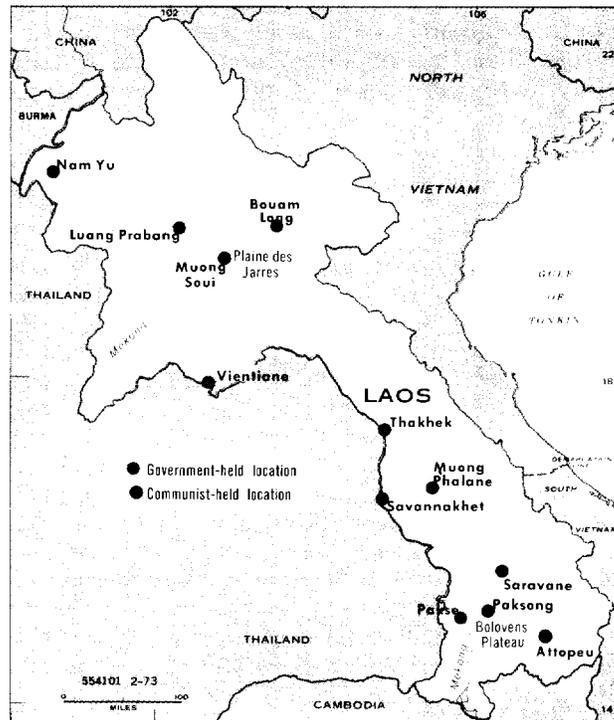
In the central panhandle, North Vietnamese troops captured Muong Phalane on 8 February and are battling irregulars for nearby village. Communist troops are also edging toward Thakhek, a provincial capital on the Mekong, and may attempt to take the town before a cease-fire.

In the remote northwest, a Communist force late last week overran Nam Yu, a base that the government has long used to stage guerrilla

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operations. Irregulars quickly abandoned other forward bases in the area and fell back to populated places along the western border. The deteriorating situation in the northwest will cause some concern in Vientiane, but the area is not of vital interest to most government leaders. If, however, the Communists continue to roll back government gains in the south or secure a foothold on the Mekong by taking Thakhek, military leaders and southern rightists are likely to press Prime Minister Souvanna to hold out for a cease-fire which provides for a regroupment of forces along lines existing at the signing of the 1962 Geneva Accords—an arrangement the Communists are unlikely to accept.



## USSR

## POLYANSKY DEMOTED

28 Last week, Politburo member Dmitry Polyansky was a first deputy premier; this week, he is minister of agriculture, a graveyard for Soviet political careers. Like Gennady Voronov and Petr Shelest, Polyansky no longer holds a position in government commensurate with full membership on the Politburo. He has been a member since 1960 and can be removed only by a Central Committee plenum.)

29 As a first deputy premier, he was Moscow's top agricultural administrator. In this capacity, he pushed vigorously and successfully for allocations of money and material for the country's farms and he made political enemies in the process. In 1969, he successfully fought one of Shelest's pet projects. Shelest and other regional party leaders

pushed for increased direct party control over many farms, which would have weakened Polyansky's bureaucratic empire. The highly ambitious Polyansky also got into a running feud with Voronov that had more far-reaching implications for the Soviet economic system. Voronov, premier of the RSFSR from 1962 to 1971, argued long and hard for an approach to agriculture that he hoped would improve rural labor productivity and allow a reversal of the long-term trend toward ever-increasing farm allocations. Polyansky won that battle in July 1971, when Voronov was removed as RSFSR premier and appointed chairman of the USSR People's Control Committee. 7

29 The USSR's recent acute problems in agriculture doubtless provided a pretext for Polyansky's demotion, but more was involved. Polyansky's decline serves to deflect criticism from

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Brezhnev, who has shown a strong interest in agriculture since 1965. It seems unlikely that the change was made with any real hope that Polyansky could personally improve matters in his new position. The solution of Soviet farm troubles requires considerably more than the assignment of a troubleshooter—however high-powered—to the Agriculture Ministry. Success requires the coordination of the performance of many ministries and organizations, and Polyansky was in a much better position to force solutions when he was a first deputy premier overseeing agriculture than he will be as merely one of 70-odd ministers.

In past political struggles, Polyansky has had the support of Brezhnev. Polyansky played the part of a loyal ally of the other members of the Ukrainian group in the Politburo—Podgorny, Kirilenko, Shelest—except when his concern for agriculture's needs collided with the others' special interests. Brezhnev was allied with and drew political support from these Ukrainians in the early years following Khrushchev's ouster in October 1964. His ties with the group have been strained in the past two years as he has become more committed to detente and to consumer interests.

In Shelest's case, the ties snapped altogether; Shelest, who had made fairly explicit his distaste for detente and the emphasis on consumer goods, was removed as party boss of the Ukraine just before the Moscow summit last May. Polyansky has exhibited no particular dislike for detente and, indeed, gets on well with Westerners on a personal basis, but he has always regarded the consumer goods program as a rival to his farm program. He was the only Politburo member to see Shelest off on a rather mysterious visit to East Germany in October 1971 and to meet him on his return to Moscow.

Polyansky's demotion leaves First Deputy Premier Kirill Mazurov—a Belorussian with ties to the Russians—the most visible potential successor to Premier Kosygin. Last November, Mazurov was chosen for the second time in four years to deliver the speech marking the anniversary of the



Polyansky

Bolshevik Revolution—a sign that he stood high within the hierarchy, especially vis-a-vis his natural rival Polyansky, who had last had the honor in 1965.

Mazurov has been a relatively modern-minded administrator of the industrial economy during eight years as a first deputy premier. His association with Kosygin has been complemented by a fairly close relationship with party secretary Kirilenko, Brezhnev's chief lieutenant who has party responsibilities for industry. Mazurov has not been close to Brezhnev, and reports circulating in early 1970 had him, along with Shelepin and Suslov, criticizing Brezhnev's leadership in the field of economic management. Brezhnev has more recently endorsed some of the economic ideas that Mazurov has been touting in his public statements, so relations between the two may have improved.

Clues as to the future of Soviet farm policy may be provided if and when a new first deputy premier for agriculture is appointed, and it may be that party secretary Kulakov will play a larger role in that area than he has since his elevation to the Politburo at the 24th Congress in 1971.

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### Lack of Snow Endangers Soviet Winter Grain



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**Snow Depth**  
(as of 2 Feb. 1973)

- 0-2 inches
- 2-4 inches
- Over 4 inches

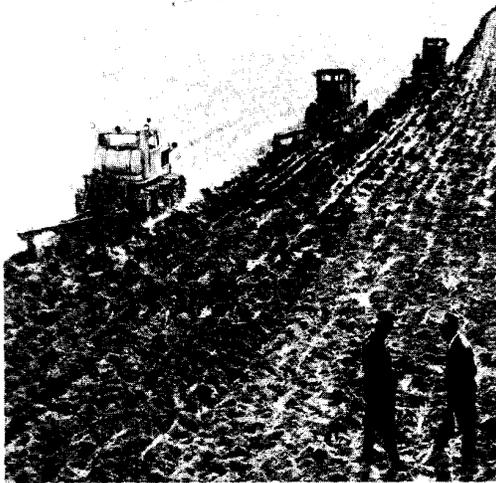
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### More Winterkill

29 | At any rate, serious problems are in store for officials dealing with Soviet agriculture. Most of the major winter grain area in the USSR still has inadequate snow cover to protect the crop from the cold. Western and most of eastern Ukraine, Belorussia, the Baltics, and a large part of the RSFSR have an average of less than two inches of snow. The southern Ukraine and Krasnodar Kray have no snow at all. Thus, the winter grain loss may exceed the 15 to 20 percent lost to winterkill in an average year. Last year, unfavorable weather in January and early February killed almost one third of the fall-sown grain. |

29 | To recoup winter losses and make up for a 20-percent shortfall in acreage sown last fall, the Soviets will have to sow more than 100 million hectares to grains this spring—a record. If they fail to meet the spring seeding schedule and encounter average growing conditions, the chances for a sizable boost in production above last year's disappointing harvest of 134 million tons are not bright. Winter grains generally provide almost one third of total Soviet grain production. |



### EUROPEAN TALKS

#### THE SECURITY CONFERENCE

30 | The second round of preparatory talks in Helsinki will now adjourn, having sorted the agenda proposals into four "baskets" without reaching any substantive agreement. When the third round gets under way in two weeks, the participants may begin some real horse-trading. |

30 | The main development of the past four weeks was the Soviets' accepting that there will be no agreement on fundamentals—such as location, timing, and participation in the conference—unless Western demands on agenda questions are settled first. On 29 January Soviet representative Maltsev offered a "compromise" on the agenda by referring to the need to formulate "tasks" for committee work during the conference. | This suggested a greater willingness on Moscow's part to permit the preparatory talks to get into matters of substance. He did not, however, add any detail to what the Soviets had proposed a week earlier on the principles of security—the first of four general categories, or "baskets," of agenda items. In fact, Maltsev did not mention confidence-building measures, which had been included in the first agenda item proposed by the Soviets on 22 January. |

30 | Two days later, Ambassador Mendelevich made another effort to speed the preparatory work. Agreement, he said, was close on the first agenda item and its associated draft on mandates, and he advocated ending talk on this item and turning to the three remaining baskets. Mendelevich also spoke on the limitations of the conference. He listed a number of issues that should not be taken up—human rights, self-determination, peaceful settlement of disputes, arms control and disarmament, and the Middle East. Mendelevich did not challenge the importance of all these subjects, but argued that they had been or should be taken up outside the conference—in effect restricting it to topics that Moscow prefers, like inviolability of frontiers. |

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29 [The West continues to enjoy a number of tactical advantages. Moscow wants the conference and must be prepared to compromise further in order to get it. Western positions are supported by the neutrals, who were particularly alienated by Mendelevich's rejection of most of their favorite issues.] 34 states, [although Deputy Foreign Minister Ecbescu says his government is also considering quitting the Vienna talks altogether.] The participants are near agreement on a formula that would give formal equality for all delegations, but leave the decisions to those with forces or territory directly involved.]

30 [The NATO allies contemplate no major changes in Western positions for the time being and anticipate further concessions from Moscow. They do not propose to soften their proposals for freer movement, nor are they ready to accept a separate agenda item on post-conference permanent machinery. During the break, however, they will try to agree on a formula that would allow discussion of post-conference work without implying prior acceptance of new institutions. They may also consider editorial changes to make their proposals on agenda mandates more acceptable to Moscow.]

30 [The Western allies also have to decide what to do about the neutrals' proposals. A number of allies would let the conference take up more military security questions, as most of the neutrals have urged. The US and the Soviet Union remain opposed to anything more than a discussion of confidence-building measures at the conference, but Moscow could moderate its position during the break. The allies have to deal as well with the numerous proposals that the conference consider the Mediterranean and the Middle East. Although most allies still oppose adding sensitive Middle East questions to the agenda, a number favor at least token mention of the Mediterranean.]

#### FORCE REDUCTIONS

31 [Extensive consultations since the opening of talks on force reductions in Vienna last week have narrowed the procedural differences that have so far delayed multilateral discussions. The Romanians have moderated their demand for equal status. They may be willing to accept a special status along with Bulgaria and the NATO flank

35 [The Soviets, however, have added a further complication by claiming that Hungary does not want to be a full participant.] NATO had invited Hungary to participate fully and interpreted Budapest's acceptance as willingness to include Hungarian territory in the zone for reductions. In accepting the invitations, the Warsaw Pact countries did not acknowledge the distinction between full participants and those with lesser status.]

35 [The Soviet position raises serious problems for NATO. Allied acceptance of Hungary as a lesser participant would imply exclusion of Hungarian territory from the eventual zone in which reductions will be made. The Belgians—and to a lesser degree the Dutch—have for some time linked inclusion of their territory to the inclusion of Hungary. If these two allies should decide not to include their territory, as the Belgians say they might, West Germany would be left as the only reduction zone on the Western side—a situation Bonn has long said would be intolerable, because of the discrimination it would imply. The allies have decided to stand by their insistence that Hungary be included, making it unlikely that a plenary session could be held in the next few days.]

35 [Except for raising the nettlesome Hungarian issue, the Soviets have been generally cooperative and have not left an impression that they wanted the talks to collapse. Their argument for neutral participation has been only half-hearted. Indeed, one Soviet delegate told his Italian counterpart that Moscow would raise no extraneous issues if the West took steps to create the "appearance of equality" of all participants.]

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USSR-SYRIA: MORE AID

[redacted] the USSR extended \$84 million in new economic aid to Syria last year. It was Moscow's first major economic aid to Damascus since 1966, when it agreed to build the Euphrates Dam. With the addition of these credits, Soviet economic aid to Syria totals some \$320 million, almost two thirds of which has been utilized. Moscow is not only Syria's principal foreign source of development credit, but has also become virtually the sole supplier of arms. Total Soviet aid now tops \$1 billion.

with new aid because existing credits will not cover all these projects.]

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44 ] During 1972, Damascus signed new military agreements with the Soviets worth some \$62 million, bringing total Soviet military aid extended since 1955 to \$714 million. Soviet arms deliveries last year reached a record \$125 million as shipments were increased during the last half of the year. The increase resulted from Syrian requests for arms as tensions heightened with Israel after the Munich tragedy and from Soviet interest in maintaining a foothold in the Middle

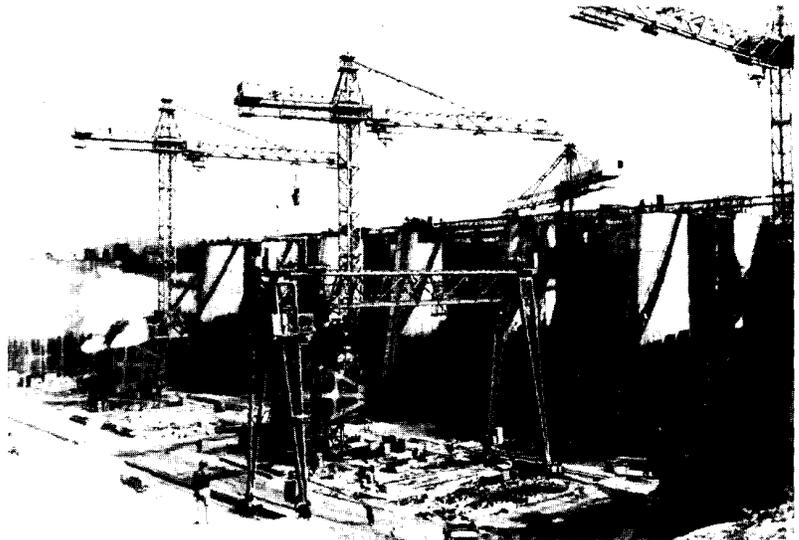
77 The funds committed last year were for the development of Syria's oil industry, railroads, and water resources, and for irrigation and electrification projects associated with the Euphrates Dam. These projects had been agreed to as long ago as 1969, but their financing and implementation had been delayed until the completion of cost studies.]

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44 ] Meanwhile, work is being accelerated on previous Soviet aid projects. The \$133-million Soviet credit for constructing the Euphrates Dam is being rapidly drawn down, and the basic project is scheduled to be completed in 1974. Most of the 1,300 Soviet economic technicians in Syria are working on the dam. A protocol signed late in 1972 calls for completion this year of the 420-mile Latakia - Al Qamishli railroad, begun in the late 1950s, and for work to begin on the Damascus-Homs line. The protocol also provides for construction of railroad training centers and expansion of the port at Latakia. In addition, Moscow agreed to build a cotton textile mill at Latakia, to develop phosphate deposits, and to construct a rock-salt complex. The USSR may have to come forth

Euphrates River Dam



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USSR: MIDDLE EAST CONSULTATIONS

47 The USSR has shown some signs of a renewed interest in movement toward a Middle East peace settlement. In recent weeks, Soviet officials have been in touch with a variety of Arab leaders, and on 30 January party chief Brezhnev added his voice to those of the diplomats by stating that the Vietnam accord demonstrates that a peaceful solution to the Middle East conflict can be found. So far, however, the Soviets have not offered a fresh formula for peace.

48 Mikhail Sytenko, director of the Foreign Ministry's Middle East department, discussed the Middle East during a visit to Rome on 24-26 January. He advanced the standard Soviet position, saying Moscow opposed both a renewal of fighting and a partial settlement. The Israelis must publicly declare their agreement in principle to total withdrawal, he said, but Moscow would not rule out some limited territorial adjustment as part of an over-all agreement. Sytenko favored a package deal along the lines of the Jarring memo of 1971, although he was willing to drop Jarring as the intermediary. He also said Moscow would agree to a resumption of the four-power talks.

49 In late January the Soviet ambassadors in Egypt, Syria, Iraq, and Southern Yemen all had talks with the respective heads of state. It was the first time Egyptian President Sadat received the ambassador since the expulsion of Soviet forces last July. On 6 February, Sadat's national security adviser, Dr. Hafiz Ismail, traveled to Moscow for two days of consultations. The Soviets also are giving more attention to Jordan.

45 This flurry of diplomatic activity has produced no sign that Moscow is readying a peace initiative of its own. It may expect others to do so; for example, the Ismail visit has already been billed as an opportunity to discuss an expected US peace initiative on the Middle East.

49 There are several reasons why Moscow does not want to take the lead. Arab-Israeli differences are so deep that it will be difficult for any peace plan to succeed, and Moscow does not want to be associated with a diplomatic failure. In addition,

Moscow's refusal to supply the weapons the Arabs want has damaged its influence in the Arab world, and the Kremlin will be careful not to appear to be forcing a compromise settlement on the Arabs. Finally, the present level of tension allows the Soviets a leverage with the Arabs that probably would be reduced by peace.

49 On the other hand, Moscow probably regards another round of peace talks as inevitable. It does not want to be left out. In the past, the Soviets have made a profit by acting as the guardian of Arab interests, and they will want to be involved, but not overly committed.

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MONETARY DEVELOPMENTS (not covered)

International currency markets are in the midst of another upheaval. By close of business yesterday, the dollar was at or near the floor against most major currencies. Foreign central banks, forced to intervene in the markets to support the dollar, have spent over \$5 billion since 29 January. Most of this was provided by West Germany; traders apparently are not convinced by recently strengthened German controls on capital movements or by German protestations that they will defend the present mark exchange rate.

The most recent run on the dollar developed after the Italians and Swiss decided to modify their exchange systems. Reports of a record US trade deficit and record German and Japanese trade surpluses increased currency market uncertainties. Speculation against the dollar followed, primarily by large European banks. The Bundesbank was forced to intervene in the market, purchasing about \$1 billion in foreign exchange on 1 and 2 February. To reduce the flow of foreign currencies into Germany, the Bonn cabinet is now requiring Bundesbank permission for most international capital transactions.

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The new controls quieted the market on 5 February, but they proved inadequate as renewed

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speculative activity forced the mark against its dollar ceiling. By close of business yesterday, the Germans had purchased an additional \$3 billion.

The gold price rose sharply as a result of the currency fluctuations. There were reports of Eurocurrency borrowings by speculators to finance gold purchases during the week. The price in London went over \$69 per ounce before profit-taking pushed it back slightly. The increase in the price of gold in Paris was greater than other markets because of an added factor of uncertainty, the outcome of the forthcoming French elections. The rise in the price of gold had nothing to do with supply factors.

The currency markets are likely to experience further upheavals. Each unfavorable trade balance report is a potentially unsettling fact. With inflationary pressures increasing in Europe and Japan, changes in interest rates could provoke additional speculative capital inflows. Still, Bonn and Tokyo are committed for the present to maintain current exchange rate parities, and their central banks are evidently willing to add substantially to their dollar holdings. This demonstrates a desire to abide by the Smithsonian agreement and may be enough to prevent a repetition of the 1971 crisis.

**IRELAND: TO THE HUSTINGS**

The general elections called for 28 February should strengthen the ruling Fianna Fail's position in the Dail. Even opposition politicians concede that Prime Minister Lynch's popularity will provide wide coattails for many weak Fianna Fail candidates. Inflation and high unemployment are potential campaign issues, but the opposition is not in a good position to exploit them.

Most observers had expected an early election, but few believed it would come so soon. Lynch could have waited until June 1974, but he recognized that a number of factors improve his party's chances in an early contest. The main opposition party, the Fine Gael, has leadership problems, and the small Labor Party is deeply divided over the Irish unity question. Although the two have reached a coalition arrangement,

they seem unlikely to pose a serious challenge to the government.

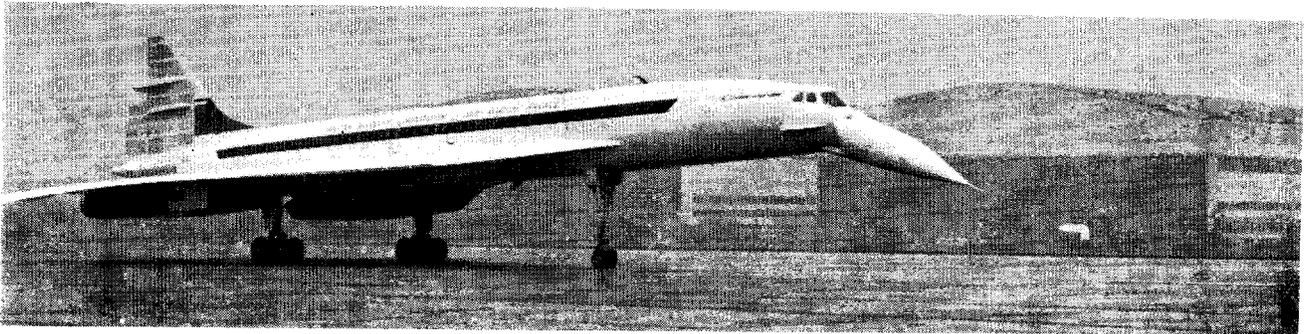
An early election also allows the Fianna Fail to avoid facing the newly enfranchised voters of 18 to 20 years. The names of the new young voters, many of whom would probably vote against the government, will not appear on the official register until mid-April. In addition, with an early election the government can evade required redistricting, which would probably increase urban representation at the expense of the largely rural Fianna Fail. A February vote likewise precedes the Irish presidential election in which Lynch's party is likely to field a weak candidate and could suffer an embarrassing defeat.

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### FRANCE-UK: SUPERSONIC SETBACK

53 [The decision of Pan American and Trans-World Airlines not to purchase the supersonic Concorde has been accepted philosophically in France and Britain. The press in both countries has given the decision heavy coverage, but only a minority has suggested that the US was trying to sabotage the European aerospace industry. Long-time critics of the project have called for abandonment of the "unhappy bird" before more public money goes down the drain.]

54 [The French and British governments have sought to minimize the seriousness of the loss of the orders and reiterated their determination to proceed with series production. In France, at least, these reassurances have a political motivation. With the parliamentary elections less than a month away and the trade unions reacting sharply, the government is eager to promise that there will be no layoffs of aircraft workers.]

57 [Prospects are, however, that the full consequences of the US airlines' decision have yet to be felt. With their American competitors having opted out, the Japanese and German lines have already implied that they also intend to let their options lapse. If the Chinese also intend to drop their order, only the captive customers—Air France and Britain's BOAC—and a tentative order of two planes from Iran would be left.]

57 [Even if Paris and London decide it would be worthwhile to proceed with so unpromising a production run, the problem of the plane's doubtful acceptability on environmental grounds would remain. The Concorde may exceed the maximum emission and noise levels permitted by existing US environmental standards, and specific regulations for supersonic aircraft are yet to be established. Should the plane be denied permission to fly even at subsonic speeds over the US or to land at American airports, a bitter US-European confrontation would likely follow. An adviser to President Pompidou has already predicted that these issues will be a much more difficult test of US-French relations than last week's disappointments.]

53 [In any case, the Concorde's problems will add to Europe's worries over the future of its aircraft industry. The Council of the European Communities recently initiated a study of measures that might be taken to rationalize and otherwise benefit the industry, and last month the director of the Society of British Aerospace Companies proposed legal and political measures to encourage more intra-European collaboration. As the abortive effort of the early 1960s to group the European airlines into an "Air-Union" demonstrated, however, the political, economic, and social obstacles to such collaboration are formidable.]

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## CHINA: PUSHING THE PILL

60 [The sizable orders placed abroad for wheat and cotton attest that feeding and clothing the Chinese people is still a monumental task. The exact size of the population is the subject of some debate, but it is immense; Chinese propaganda clings stubbornly to the obsolete figure of 700 million; Chinese officials offer anything from 750 to 830 million, and estimates by some Western observers run even higher. Regardless of the precise figure, almost everyone seems to agree that the population is too big, and Peking has recently shown a renewed interest in doing something about it]



Too Many Mouths To Feed

60 [A number of signs in recent weeks point to a revival of the flagging birth control campaign] Provincial radio broadcasts have called for late marriage and birth control, measures which have long been in effect but are seldom mentioned by domestic media.]

lacked central direction. Implementation was left in the hands of local officials, some of whom pushed the program while others ignored it. Local authorities in the past tended to give social programs like birth control low priority, especially during periods of intense political activity. At the moment political concerns are high on the list of local worries; criticism of Lin Piao was again named in the New Year's editorial as "the primary task," for the year.]

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60 [Chou En-lai's comments make it clear that at least some elements in the leadership are concerned about the problem and are encouraging greater efforts to solve it. The notion that China's huge population is more of an asset than a liability, a concept enunciated by Mao during the heady days of 1958 when the Great Leap Forward was gathering force, seems to have fallen by the wayside as the leadership comes to grips with economic realities. Mao's name has not been invoked in the current campaign, however, and it is possible that he and some like-minded colleagues hold to the old idea.]

60 [Peking is, of course, aware of these problems. A top official in Kwangtung Province, outlining the tasks for 1973, failed to mention the current birth control campaign, while the party boss of another province, in a similar address, called for thorough implementation of the program. Clearly the success of the campaign hinges on how insistent Peking will be in promoting

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## KOREA: THE RECOGNITION GAME

60 [Previous attempts to curb population growth met with limited success, chiefly because they

69 [North Korea has long been a diplomatic pariah to the non-Communist states. This is in part a holdover from its role as the aggressor in

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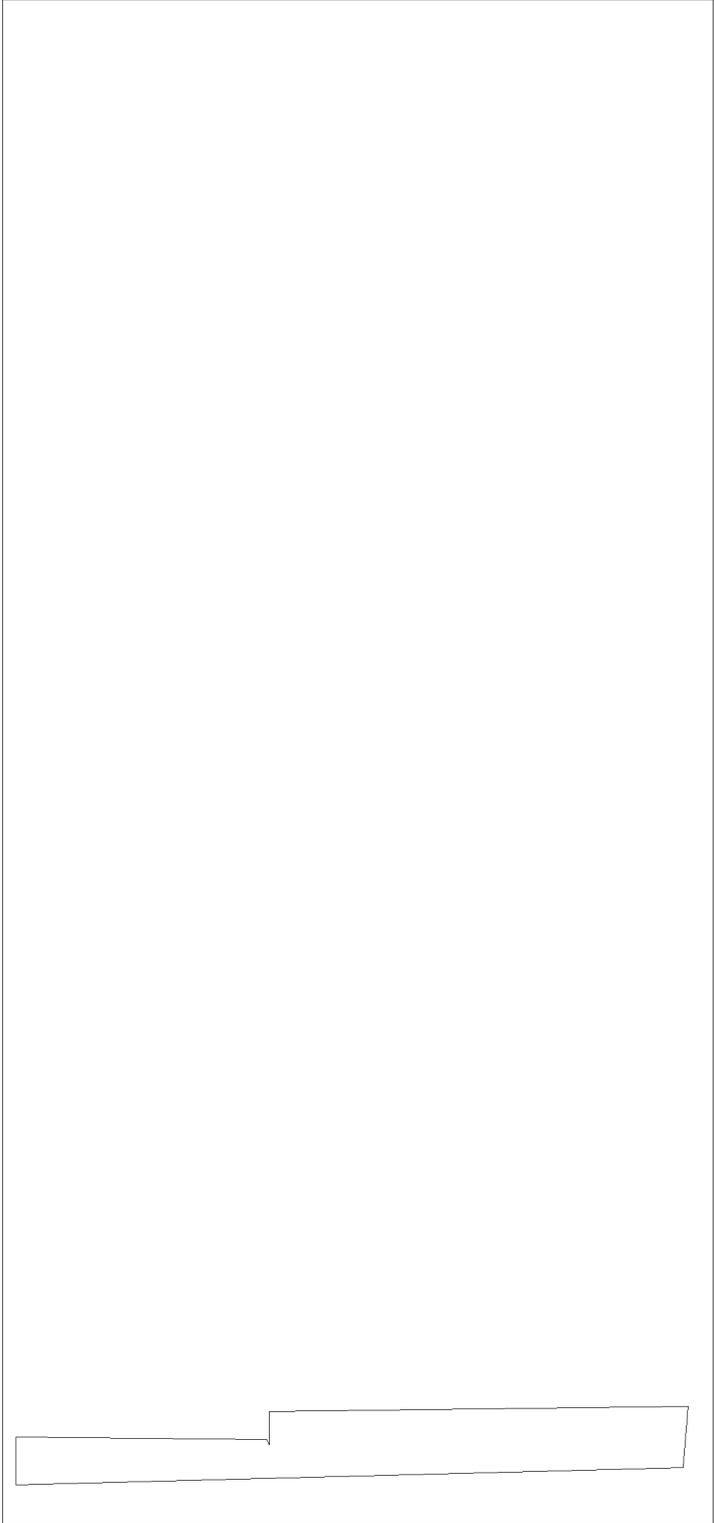
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the Korean war, but it also owes much to Pyongyang's more recent penchant for meddling in the internal affairs of other nations. Now, however, the North Koreans are enjoying the fallout from the world-wide tendency to regularize relations with the Germans and the Vietnams, and Pyongyang is beginning to approach the degree of international acceptability enjoyed by Seoul for the past two decades.]

69 ]A generally more relaxed policy toward divided states has aided Pyongyang's diplomatic overtures, but North Korea's moderation of its own policies over the past year has also helped. Since the talks with Seoul began, tension has been reduced on the Korean Peninsula, and Pyongyang has accelerated its diplomatic activity. In the past year North Korea was recognized by 11 non-Communist states; it now has diplomatic relations with 52 countries. It appears on the verge of a diplomatic breakthrough in Western Europe, with Finland and Sweden likely to grant recognition in the next few weeks. A variety of other states including Italy, Iran, and Dahomey are considering recognition. The North Korean ambassador in Chile has done some aggressive proselytizing throughout Latin America; his labors may bring dividends in the next few months.]

69 ]All this has caused a certain consternation in Seoul, even though South Korea is recognized by more than 80 governments. What the South fears most is that the North's expanded diplomatic base could erode the support Seoul has enjoyed in the UN. The South Koreans generally expend considerable energy trying to frustrate Pyongyang's advances, but they have dropped their previous approach of refusing relations with nations recognizing the North. The South is retaining diplomatic posts in more than a dozen states to which North Korean diplomats are also accredited. The South Koreans decided instead to launch their own diplomatic offensive in areas friendly to Pyongyang by making overtures to a number of Communist and third-world governments. This effort has had little success thus far, but it signals a reluctant recognition by Seoul that it must compete on a more even basis with the North Koreans and that the reality of two Koreas is being generally accepted. [redacted]



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## ISRAEL: FAR FROM AGREEMENT

72 Prime Minister Golda Meir will visit the US in late February - early March, shortly after Jordan's King Husayn leaves. While here, they will doubtless elaborate their views on a Middle East settlement in general and an Israeli-Jordanian settlement in particular. The gap between the two, though narrower than before, is still quite wide.

73 Tel Aviv professes to believe that priority should be given to reaching an interim agreement with Cairo on opening the Suez Canal. Israeli leaders admit that Husayn has come a considerable way toward meeting Israeli requirements, but still has some distance to come. They also argue that a serious attempt to resolve Israeli-Jordanian differences now would precipitate a serious domestic political crisis for Israel.

74 Israel's relations with Jordan and regard for Husayn have been on the upgrade since his crack-down on the fedayeen in 1970-71. Mrs. Meir last November was unusually laudatory of the King, publicly ascribing to him such qualities as sincerity, courage, and wisdom; these are not terms much used by Israelis in describing Arab leaders. Mrs. Meir commended Husayn's public statement that another war with Israel would be disastrous for the Arabs and that it was necessary to search for peace. She described this as a "good start." Husayn, she added, had still much to learn; namely, that he could not expect to "get it all back...as if no war had taken place."

75 In early January, the influential independent newspaper *Haaretz* revealed an Israeli Foreign Ministry assessment of Husayn's present position. According to the paper, Husayn has rejected war as a means of resolving the Middle East situation. He accepts the fact of Israel's existence and regards a peace settlement with Israel as necessary to Jordan's interests. The King was portrayed as having considerable territorial flexibility and readiness to make a peace separate from Egypt. The article noted, however, that Husayn still insisted on obtaining Jordanian sovereignty over most of Arab East Jerusalem. The paper also noted Husayn's plan for an eventual federal union between



King Husayn (With Queen Ali'a)  
*Higher Regard from Israel*

the East and West Bank with the latter a semi-autonomous Palestinian entity.

75 Tel Aviv is, of course, opposed to any change in the status of Jerusalem and to the establishment of any form of Palestinian state between Israel and Jordan. Israel also seeks major territorial changes on the West Bank, the indefinite retention of defensive positions along the Jordan River, and demilitarization of the remainder. The Israelis want the right—after a settlement—to continue to settle anywhere on the West Bank, to conduct business there, and to worship at Jewish religious sites. Peace with Jordan must also include open borders between the two states for commerce, travel, and labor.

72 Israeli leaders admit that their requirements are too high for Husayn. They believe it would be best not to disturb and probably worsen present "good" relations. Defense Minister Dayan believes that the present "accommodation" can and should be continued for some years. Tel Aviv's reluctance to negotiate now with Husayn also reflects Israel's fear of provoking a serious domestic political crisis in an election year. A peace settlement with Jordan that would return large parts of the West Bank would almost certainly promote a walkout of Mrs. Meir's key coalition

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partner, the National Religious Party. The party has a sizable faction that is opposed to giving up any of the West Bank. Mrs. Meir, particularly in an election year, is not likely to move in this direction when there is no guarantee that Husayn would or could give Israel what it wants/

further demonstrations could be sparked if the students arrested in early January are brought to trial/

73 } There are other obstacles. Perhaps the most important is that the Israelis cannot really believe that any Arab leader—even Husayn—is really ready to settle with Israel. This is backed by a strong sentiment in Israel that Husayn has already come far and that better terms can be had by waiting. The Arabs' recent talk about resurrecting the eastern front (i.e., the Jordanian front) is not taken seriously in Israel, but it serves to bolster those who argue that priority attention should be given to Egypt. A prior move to settle with Jordan might endanger the chances of a settlement with Egypt. [redacted]

77 } Sadat's warnings against "deviationism" in his speech were directed at non-student elements as well. On 5 and 6 February some 90 persons were purged from the country's only legal political organization, the Arab Socialist Union, and more dismissals could follow. Most of those dropped from active membership are journalists; many are leftist oriented. Among those expelled was Louis Awad, a prominent Coptic intellectual who writes for the semi-official newspaper *al-Ahram*. } Awad reportedly signed a petition to Sadat in mid-January urging leniency for students arrested during the demonstrations in early January. } Others on the list are known to have been more directly implicated in those demonstrations, and some were arrested for these activities. }

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**EGYPT: DISSENT DISALLOWED**

76 } President Sadat evidently means to do what is needed to keep public dissent at a minimum. In a speech on 31 January, three days before the reopening of Egypt's universities, Sadat emphasized the sovereignty of the law, condemned student dissidence, and vowed not to allow anything to disturb the tranquility of the home front/ } Sadat's hard domestic line was an obvious warning that the regime would take firm measures to prevent recurrences of student outbursts such as the one in early January. }

79 } Ouster from the Arab Socialist Union involves more than the loss of party membership. Those expelled lose their memberships in trade unions and places on management boards. They can also lose their jobs if they hold positions that require active party membership. Journalists fall into this category, and all those on the lists will be "retired." }

79 } The purge is probably in part aimed at putting teeth into Sadat's warning against "deviation." It also may reflect his lingering suspicion of elements in the party, resulting from the challenge to his authority from within the organization by Ali Sabri and others in May 1971. The crackdown on the journalists and intellectuals could alienate many educated Egyptians who had supported Sadat's earlier moves toward greater freedom of expression. }

76 } Egyptian universities reopened quietly on 3 February and the great majority of students were very much mindful of the President's warning. Some minor disturbances reportedly did occur at Cairo University on 5 February, and the faculty of engineering at Ayn Shams University in Cairo was closed following student troubles there. } The students are still nursing a number of complaints, for example the lack of domestic freedoms, and

79 } Such losses do not appear especially serious for Sadat at the moment, although they do add to the ranks of Egypt's malcontents. [redacted]

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**RHODESIA-ZAMBIA: SMITH YIELDS**

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80 Although the Rhodesian Government announced on 3 February that it was ending its four-week blockade of Zambian traffic, President Kaunda maintains he will never again use the Rhodesian rail line that had carried most of Zambia's imports and almost half of its copper exports. Economic pressures could eventually compel Kaunda to relent, but the setback threatens Prime Minister Smith's hitherto commanding influence among white Rhodesians and sharpens his need for a settlement with Britain.



84 Caches of automatic weapons, rockets, land mines, and grenades have been discovered, and 87 guerrilla bands are still operating despite Rhodesian countermeasures. In fact, on the very day that Smith opened the border, there was a guerrilla attack in which a white civilian was killed. The costs of dealing with a protracted guerrilla campaign, on top of agricultural losses resulting from a severe drought, will worsen Rhodesia's shortage of foreign currency—already the most telling effect of the sanctions against Rhodesia.

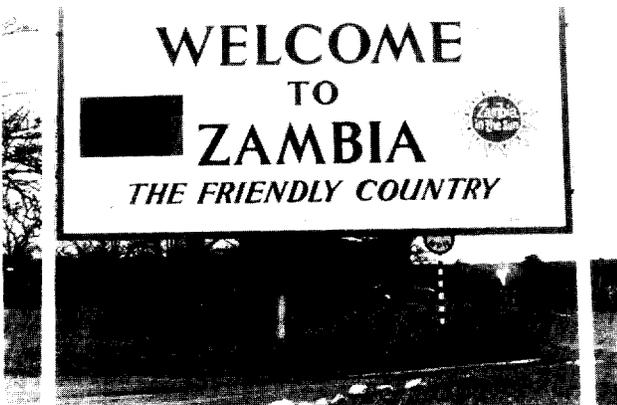
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87 Smith has persistently reminded white extremists in Rhodesia that Britain holds the key to full relief from international sanctions. He may have reasoned that his action would remove an obstacle to a resumption of negotiations with London. Possibly the clincher for Smith was a UN Security Council resolution of 2 February that called upon London to make Salisbury lift the blockade. Kaunda's refusal to go along could then push Smith toward negotiations with the relatively moderate black nationalists. Recent guerrilla exploits, however, could stiffen resistance among the black populace to any constitutional revision that Smith could conceivably concede to moderate leaders. An accommodation with the black nationalists is a prime stipulation for recognition by London.

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Zambian Border with Rhodesia, 1965 and 1973



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87 33) Kaunda's stand will be costly for Zambia; Lusaka's foreign minister told the US ambassador that the initial cost of required trucks and cargo handling facilities will approach \$40 million; imports will cost at least \$30 million more a year than before. 87) These expenditures will have to be financed largely from Zambia's foreign exchange reserves, which were slightly less than \$150 million at the end of January. 87)

87) Part of the drain on foreign exchange holdings could be alleviated by emergency fiscal measures. The minister of finance, for example, is proposing increased tax rates on personal income and imported luxury goods. 87) These proposals would hit hardest at high-income earners, many of whom are expatriates needed to operate Zambia's copper mines. Kaunda may have to withdraw or at least reduce the tax hikes if he is not to lose the services of skilled foreign workers. Even with the anticipated increase in revenue, 87) Zambia's budgetary deficit is forecast at almost \$200 million for 1973, with no allowance being made for new development programs. [redacted]

islander; and it was a dispute between the mulatto Cape Verdians and black Africans from the mainland that apparently lay behind Cabral's killing. Pereira also is identified with the slain leader's cautious military approach, a policy reportedly criticized by rebel military commanders.}

90) [The new leaders, who have made no mention of when the independent government promised by Cabral will be established, are under pressure from their African supporters to forge ahead. Luiz Cabral, Amilcar's half-brother, did say under questioning by the press that the rebel national assembly elected late last year would meet inside Portuguese Guinea sometime before April. Under the original formula, announced by the rebels in early January, the assembly was to set up a government.} [The new leadership probably will not alter drastically Amilcar Cabral's political plan, but the disarray caused by his murder could stall the actual creation of a non-exile government.]

91) Meanwhile, Toure's investigation into the killing has produced few announcements and may end soon. [redacted]

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**GUINEA: GUERRILLA LEADER NAMED**

90) Aristide Pereira, one of two top lieutenants of the slain insurgent leader, Amilcar Cabral, was named on 2 February to assume leadership of the African Party for the Independence of Portuguese Guinea and the Cape Verde Islands. Pereira is to serve until the movement's top decision-making council can meet, possibly in March or April. Appointment of Pereira [redacted]

**INDIA: FOOD OUTLOOK DARKENS**

95) A major part of western India is facing worsening food and water shortages as the drought now covers areas where about one third of India's 570 million people live. In some regions, little rain has fallen for three years, and conditions in these regions are more serious than in the 1965-66 period, when drought forced India to import 18 million tons of grain over a two-year period. No significant relief is in sight until at least May-June, when spring crops start to reach the markets and the monsoon rains begin.}

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93) [redacted] will lend an appearance of continuity. The selection of a new leader will also help bolster the movement's image, which was damaged when Toure was seen to take over direction of the rebel organization in the days immediately following Cabral's death on 20 January. In actuality, Toure remains the dominant behind-the-scenes figure.}

95) [New Delhi's hopes for a 15-million ton increase in foodgrains in the April-June harvest, compared with the same crop last year, have been dashed. The US agricultural attache in New Delhi

93) Pereira may prove only a caretaker figure, however. Like Cabral, Pereira is a Cape Verde

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estimates that the spring harvest will be no more than two million tons better than last year's spring crop. This means the total production of foodgrains and pulses for the crop year that ends in June will run about 96 million tons short of the 100 million tons still being projected by New Delhi and far below the 105 million tons produced in the last crop year of the peak of 108 million tons in the preceding one.

During the past two months, India has contracted to import 1.5 million tons of foodgrain. The grain will cost about \$200 million, which is equivalent to about one fifth of the nation's foreign exchange reserves. New Delhi reportedly is trying to buy an additional million tons. Despite predictions by Indian officials that a "steady stream" of ships would begin arriving last month, deliveries have been delayed by a world-wide shipping shortage. In fact, the first ships—carrying about 100,000 tons—will arrive this month, while another 500,000 tons may be delivered in March and April.

Government stocks, which last August consisted of some 9 million tons, have been virtually exhausted, and the government is having a hard time collecting more. The collection under way from the fall rice harvest probably will bring in only about two million tons, compared with 3.5 million last year. Moreover, the grain collected is being sent immediately to deficit areas. Government procurement of grain is going badly because the crop was poor and because market prices, which increased by 17 percent last year, are now higher than government prices. Farmers are keeping grain for their own needs and some wholesalers are hoarding.

Rations in some deficit states have been cut to about half the accepted subsistence level, but some government-subsidized food shops still have had to close down for long periods because of a lack of grain supplies. It now looks as if the supplies of foodgrains from all sources will not be enough to meet even the reduced rations in

drought areas in the months ahead.

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**CYPRUS: MAKARIOS**

Archbishop Makarios won an uncontested third term as president when no other candidate filed by the noon deadline on 8 February. In anticipation of his re-election, thousands of supporters arrived in Nicosia for a pro-Makarios rally. About one third of the 3,000-man police force was on hand to prevent disturbances. The concern was that followers of General Grivas—a zealot for union with Greece—might attempt to disrupt the proceedings and embarrass Makarios. Grivas' men on 6-7 February had raided 19 police stations scattered around the island. There were no major incidents on the 8th.

The Turkish Cypriots went on full alert on 8 February, doubling their patrols in areas of Nicosia near the pro-Makarios demonstration. The Turkish Cypriots have announced that they will hold a mass rally of their own on 11 February to demonstrate solidarity for the vice presidential candidate, Rauf Denktash, who is expected to have little or no opposition in the election on 18 February.

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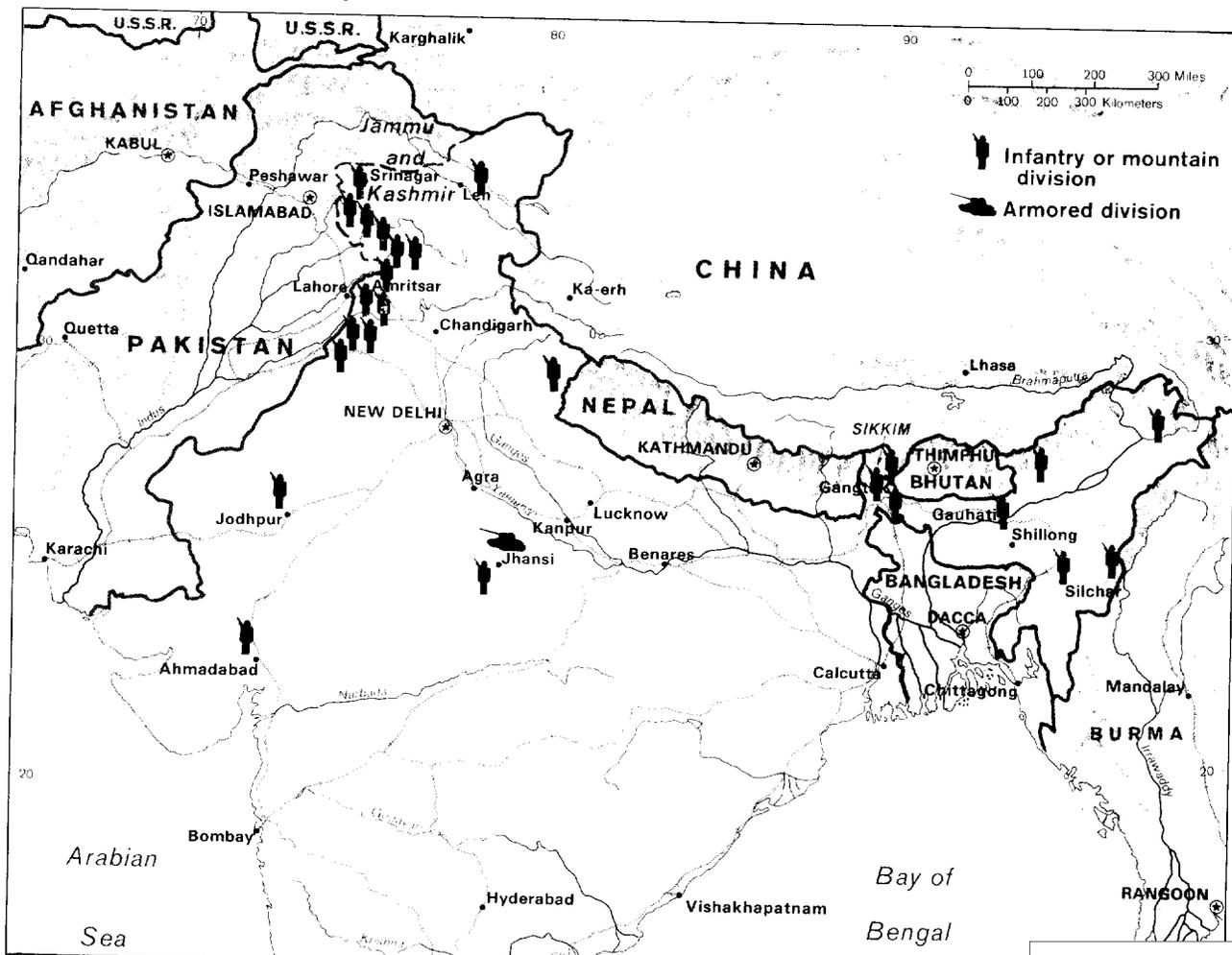


**Makarios**  
*No Contest*

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India: Ground Force Deployments



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INDIA: A STRONGER ARMY

1045 Since its victory in the 1971 war, India has been strengthening its army in an effort to consolidate its dominant military position on the subcontinent. The elimination of a Pakistani threat to eastern India has allowed the army to give increased emphasis to the western border with Pakistan. Meanwhile, there has been only minor reshuffling of army units opposite the

Chinese border, an indication that New Delhi remains confident that it can contain any attack from that direction?

1045 During the past year, India took several steps to bolster its military posture opposite Pakistan. The most significant were the formation of a new

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military command in Kashmir and the shifting of additional forces to the border area. The new command was formed to correct command and logistical shortcomings that became apparent during the war. At least one and perhaps two new infantry divisions have been formed in the border area, and reinforcements have arrived from eastern India]

104] India now has at least 14 infantry divisions and several independent brigades—a total of about 400,000 troops—in the western border region. Since reaching an agreement with Pakistan on mutual troop withdrawals in December, several units were returned to reserve positions in central India. Over 75,000 Pakistani military prisoners remain in Indian military barracks, preventing a number of units from returning to their home garrisons. Even after the prisoner issue is settled and the threat of Pakistani military action recedes, most of the Indian combat units in the border area are likely to remain.]

104] Foreign military aid, primarily from the Soviet Union, and domestic production are enabling the Indians to increase and upgrade their weapons inventory. To provide increased tactical mobility to the army, two new squadrons of Soviet MI-8 transport helicopters have been formed by the air force. The Indians were encouraged to form the new units by several successful heliborne operations during the war using smaller Soviet MI-4 and French Alouette III helicopters.]

104] India is self-sufficient in small arms, light artillery, antiaircraft guns, and related ammunition. Heavy artillery, tanks, and armored personnel carriers continue to arrive from the Soviet Union and Eastern Europe under agreements signed before the war, [redacted]

104] New Delhi has opted to push ahead with production of the Indian-built Vijayanta medium

tank. The Indians found that their Vijayantas and older British Centurions were the best tanks in the fighting against Pakistan. The 105-mm. gun on these tanks made them superior to Pakistan's Chinese T-59 and Soviet T-55 tanks, whose 100-mm. guns generally could not penetrate the Indian armor. The Indians also are satisfied with new air defense missiles and self-propelled guns acquired for the army from the British under pre-war contracts. [redacted]

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**BANGLADESH: ELECTION CAMPAIGN**

105] The ruling Awami League and the main opposition parties have nominated candidates for the parliamentary elections scheduled for 7 March.] The league is contesting all 300 seats, and one opposition group, the National Socialist Party, is running for almost all seats.] Two other groups—the pro-Moscow wing of the National Awami Party and a coalition among the party's more extreme wing and several small parties—have each named candidates for about 235 seats.]

107] The Awami League held nearly all the seats in the previous parliament and should win by a sizable majority this time. Bangladesh's economic difficulties and governmental shortcomings over the past year have cost the party some of its popularity, but Prime Minister Mujib is still revered by most of the people. No other Bangladesh politician enjoys comparable prestige.] A few of the election contests will pit opposition leaders against prominent Awami Leaguers,] but the opposition parties still appear too small and divided to pose a serious threat to the ruling party.]

107] All of the opposition groups are leftist in orientation. The Awami League includes some leftists, but Mujib, who dominates the party, is a middle-of-the-roader on most issues. [redacted]

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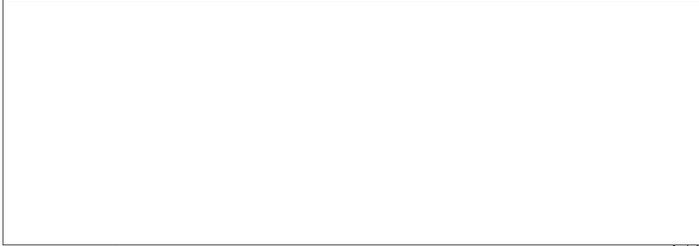
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URUGUAY: THE GENERALS ARE RESTLESS

108 President Bordaberry has moved to contain increasing military criticism of his civilian government by appointing a new defense minister known for strong constitutionalist views. [The appointment comes at a moment when there has been a serious deterioration in Bordaberry's position in the clash of wills with the military.]

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and other leaders of the opposition Dominican Revolutionary Party with the small guerrilla group that landed on the island on 4 February. As a result, the government intends to take action against Bosch and his colleagues, which could trigger serious political repercussions.]

112 [The government's determination to crack down on all opposition, and especially on Bosch's party, would appear to be an over-reaction.]

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Although there has been speculation that the government engineered the whole escapade to provide an excuse to intimidate its opponents, the Balaguer government more likely is simply taking advantage of a turn of events. Bosch, speaking from a hiding place somewhere inside the country, continues to deny involvement.]

111 Bordaberry's replacement of the old defense minister, who supported the military's interest in investigating corruption in government, could give the generals another issue on which to confront the President. If they challenge his action, Bordaberry may move to dismiss them and other coup-minded senior officers. Uruguay's present military leaders have not yet had to face a strong stand by a president, and they have been accustomed to reaching compromises with the executive. This time tempers are high, and a bold move by Bordaberry could force the generals either to oust him by force or back down.]

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The government, meanwhile, is exercising stringent security precautions. Arrests continue, particularly in the southwest near the landing site. A few students reportedly have been arrested, and police are on guard at the university. Most of the radio stations that had been closed down are back on the air, carrying mainly music and commercials.]

111 If Bordaberry weathers this latest round, it will be primarily because the military leaders are not yet agreed on how to force his ouster or what action they should take once he is gone. They would face strong and possibly violent civilian reaction to an outright coup. They seem determined, however, to press for a greater role in government, even if they have not yet clearly defined what that role should be.

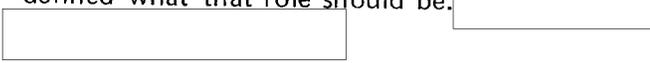
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Early rumors had it that the group was led by Colonel Francisco Caamano Deno, the top rebel leader during the 1965 Dominican insurrection, but this has not been confirmed. Although Caamano has often been reported in Cuba preparing to return with an invading force, this would seem a poor time, given the strength of the Balaguer administration. In addition, Havana is stressing conventional diplomatic relations with other

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Dominican Republic  
WHENCE THE INVADERS?

112 The Balaguer government claims to have found evidence linking ex-president Juan Bosch

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states and has de-emphasized its support of subversive ventures in Latin America for some time;



112] Regardless of the final disposition of the invading force, the tolerant relationship between the loyal opposition and the government has been severely damaged. Arresting or exiling Bosch would have an unsettling effect on Dominican stability. Bosch has been a moderating influence over more radical elements in the opposition, and his removal from the scene could give the left a better issue with which to attack the government than it has had in some time.

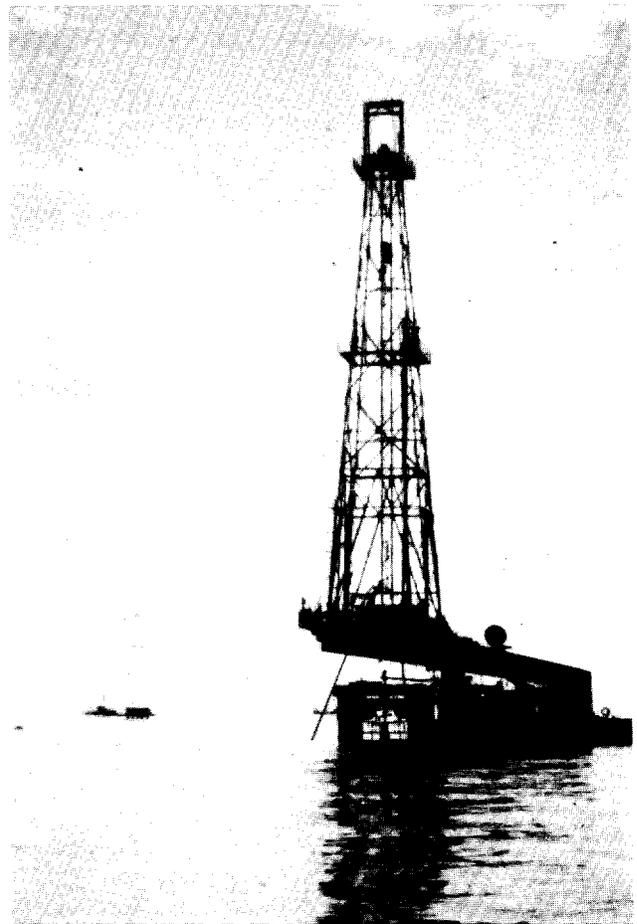
117] Venezuelan officials may believe that they can scarcely lose by seizing the initiative at this time. They will at worst generate support for the government's presidential candidate; at best, they may be able to get agreement on trying for a better deal with the oil companies.

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**VENEZUELA: WANTS OIL MEETING**

117] Venezuela has requested a special meeting late this month of the Organization of Petroleum Exporting Countries to discuss the world energy crisis and ways to exploit it.

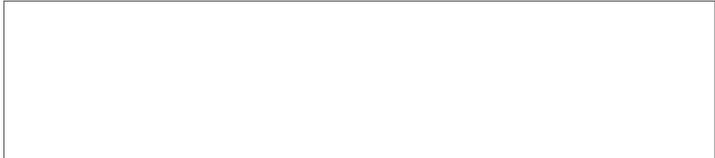


Venezuelan officials have not specified the proposals they want to present.

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117] There is some suspicion that the Venezuelans want to use the energy problem for political gain in an election year and that this may explain their call for a meeting. In Venezuela, declining oil production and increasing financial needs have raised serious questions about the Caldera government's ability to support its economic and social development plans, and the government may attempt to get the OPEC nations to consider an increase in the price of oil.

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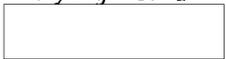
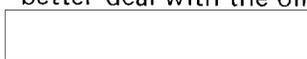
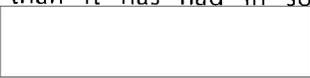
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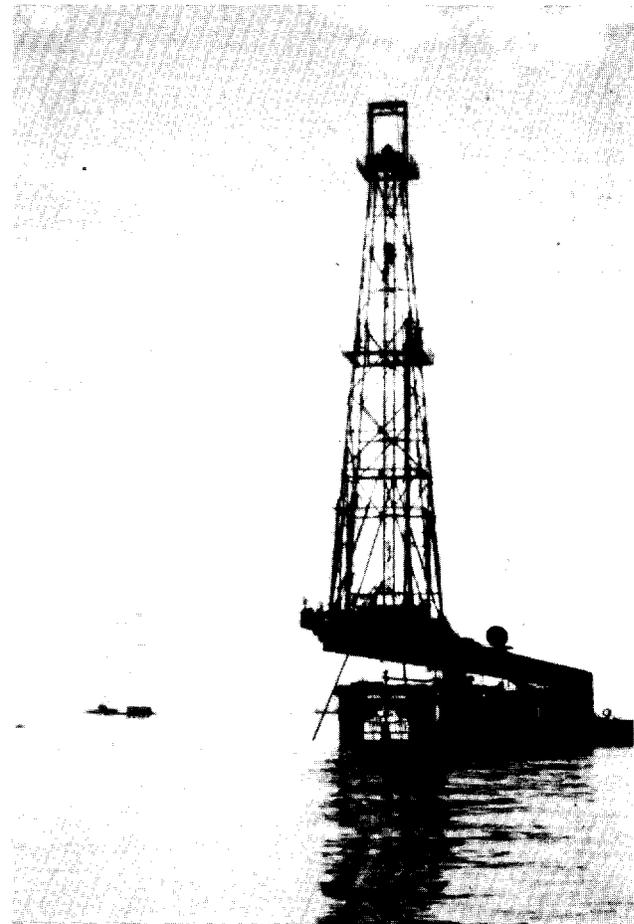
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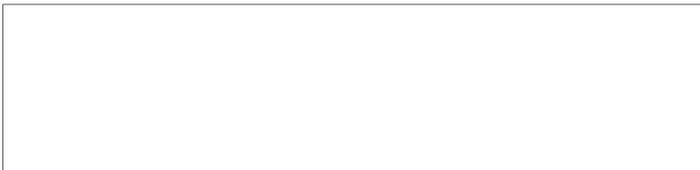
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**BOLIVIA: DIVIDE AND CONTROL**

127 Last week the Banzer regime bought a few weeks of peace by outmaneuvering labor unions and some ambitious military officers. Banzer averted a series of strikes originally scheduled for last month and may have succeeded in delaying them until at least April. In so doing, he put off a massive wage boost that would have canceled the good effects of the painful devaluation last October.

125 In another demonstration of the administration's new-found sophistication in dealing with political problems, Banzer turned to his own ends a paper detailing church criticism of political violence in Bolivia. The President rapidly quieted repressive noises from the Interior Ministry and chose to view the document prepared by a number of priests as a description of the problem his government was working to solve rather than an attack on its use of violence in quelling opposition protest. By this maneuver, Banzer again avoided alienating yet another important part of the population.

123 No wage settlement has been reached with the mine workers, whose wages set the pattern for all unions, but an agreement seems possible at something less than a 20-percent increase, far short of the 67 percent demanded. The government's control of food prices in the company stores can provide additional indirect benefits to make a smaller cash increase more palatable.

In one way or another, Banzer has successfully delayed anticipated labor strife. This has allowed him time to transfer some disaffected military officers, who were reputed to be awaiting a labor-government confrontation to bring his government down.

127 Six younger officers have just been reassigned to US schools in the Canal Zone. Earlier, a leader of the dissident group was appointed military attache in Washington. The selection of relatively attractive foreign assignments both removes

potential opponents from their contacts and makes resistance to the shifts less likely.

[Redacted]

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127 None of the agreements or transfers resolves any problems, but collectively they do relieve the immediate pressure. Banzer is buying time, and he hopes that the expected benefits of devaluation will filter down to the workers before they turn to violence. Detractors doubt that any benefits will come to the workers without violence, but Banzer's opponents are too disunited to be able to plan coordinated action to hasten his downfall.

[Redacted]

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**CHILE: SOMETHING FOR EVERYONE**

128 President Allende's Popular Unity coalition has muted its public squabbling and stepped up its electoral campaign. At a mass rally on 5 February, Allende outlined a program designed to appeal to a wide spectrum from the armed forces on the one hand to extremists who criticize him for not pursuing "real revolution" on the other. None of the proposals was new, but his resuscitation of radical aspects of his original program—for example, replacing the constitution and the bicameral legislature—is significant. It lends his still considerable prestige and popularity to the candidacies of coalition hotheads who, while they openly reject elections even as they campaign, argue that violence is the only road to socialism.

128 In addition Allende proposed further soak-the-rich taxes which would be used to compensate the poor for losses due to inflation—last year a whopping 163 percent. In fine campaign form, he went on to promise to better the lot of small businessmen, women, the military, and other interest groups. Earlier, he moved to reassure his more moderate advisers—notably the Communists and the military—by entrusting to them the explosive task of distributing the government's

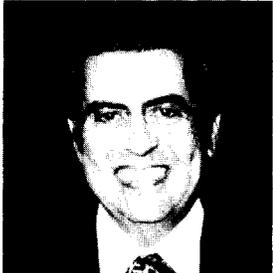
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relatively large stocks of scarce food commodities, beginning in the pre-election period. There is political gain to be had in this move and in announcements by the chief of the new distribution board, General Bachelet, that will allay fears of shortages during the coming Chilean winter. Bachelet said that distribution will be equitable, a retreat by the administration from an earlier scheme that would have discriminated against its opponents. In his speech, however, Allende called for strengthening the authority of coalition-controlled neighborhood supply groups, which would have chosen recipients of goods under the earlier scheme.

Going to Panama without discussing the canal would be like going to church and not praying.

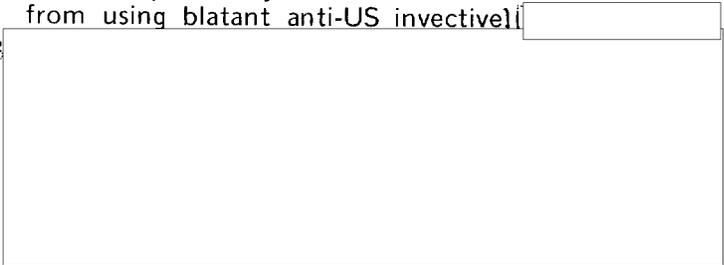
-Aquilino Boyd,  
Panama's UN ambassador



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133 } The government, preoccupied with problems of image, is concerned that no action or incident during the meeting reflect badly on Panama. Torrijos has specifically ordered the media to refrain from using blatant anti-US invective.

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136 } Panama's new-found restraint may be linked with its efforts to persuade all Latin American foreign ministers and the heads of state of "progressive" countries such as Peru, Chile, and Cuba to break with precedent and attend the meeting. These efforts have not yet borne fruit. Most of the ministers appear unwilling to be drawn into a bilateral dispute between Panama and the US. Nevertheless, they would be equally reluctant to be left out of a hemispheric "event," if a couple of the larger countries decide to send high-level delegations.

139 } The regime's obvious intent to convey an appearance of maturity and responsibility will not inhibit it from putting into the record a full catalog of its grievances flowing from the 1903 treaty. It will restate its negotiating position and attempt to gain passage of a resolution supporting the return of the Canal Zone to Panama.

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**PANAMA: ACCENT THE RESPECTABLE**

138 } As matters now stand, the government's strategy for the Security Council meeting next month is to focus on the canal issue, but to avoid an irresponsible or excessively provocative tone. Panama views the meeting as an integral part of the canal negotiations, and General Torrijos hopes to generate international support that will add to his negotiating leverage. Nevertheless, the importance of the meeting to Panama goes far beyond the canal issue. Gaining UN approval of the idea was a major foreign policy achievement, and the meeting itself will provide an unparalleled opportunity for Torrijos to enhance his own and his country's prestige.

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### CUBA: A PURGE IN PROSPECT

14) [The Castro regime is, in appearance at least, paving the way for another purge of its ranks. Official circles are apparently fast losing patience with unnamed critics of regime policies, and top government spokesmen are calling for special laws to deal with them. A few high-ranking officials may indeed be cashiered when the regime feels that the time is ripe, but it is highly unlikely that a roundup of malcontents would involve any of Castro's revolutionary comrades-in-arms who constitute the Cuban elite. If the purge materializes, it will reflect Castro's extreme sensitivity to any form of internal criticism rather than serious political dissension within the leadership.]

14) [The campaign to root out dissenters has not yet moved into high gear. Pressures for some sort of formal, legalized repression have been steadily increasing, however, and a new political crime, "ideological diversionism," has been added to the Cuban lexicon. The term covers a multitude of sins including nationalism, egotism, individualism, anti-communism, anti-Sovietism, irresponsibility, indifference, absenteeism, shoddy work, and anti-social habits. "Ideological diversionism" is, of course, blamed on "US imperialism," which, having failed in its attempts to destroy the Castro government through direct confrontation, has added ideological penetration to its anti-Castro campaign.]

14) [The government's campaign springs from criticism by two pro-Castro foreign observers, K.S. Karol and Rene Dumont, who published books in early 1970 analyzing Cuba's political and economic problems. Castro reacted violently, partly because many of the points were so well taken, and he denounced the pair as agents of the CIA.] It was not until mid-1972, however, that the term "ideological diversionism" was coined to describe phenomena within Cuba. It has been Raul Castro rather than Fidel who has served as the campaign's prime mover and chief mouthpiece. Raul's virulent denunciations are being echoed dutifully by other officials and are the subject of further explanations appearing in the Communist Party newspaper. To underline the regime's willingness to get tough, the media have recently reported several executions and other severe punishments of thieves and murderers in all sectors of the country.]

14) [Unlike the last purge, carried out five years ago against elements of the pre-Castro Communist Party, the government's present campaign does not seem to be directed against any particular political faction. The remaining "old" (pre-1959) Communists have not been definitively excused, but neither do they seem to fit the tenuous criteria established so far for determining guilt.]

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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Japan's Southeast Asian Dilemma*

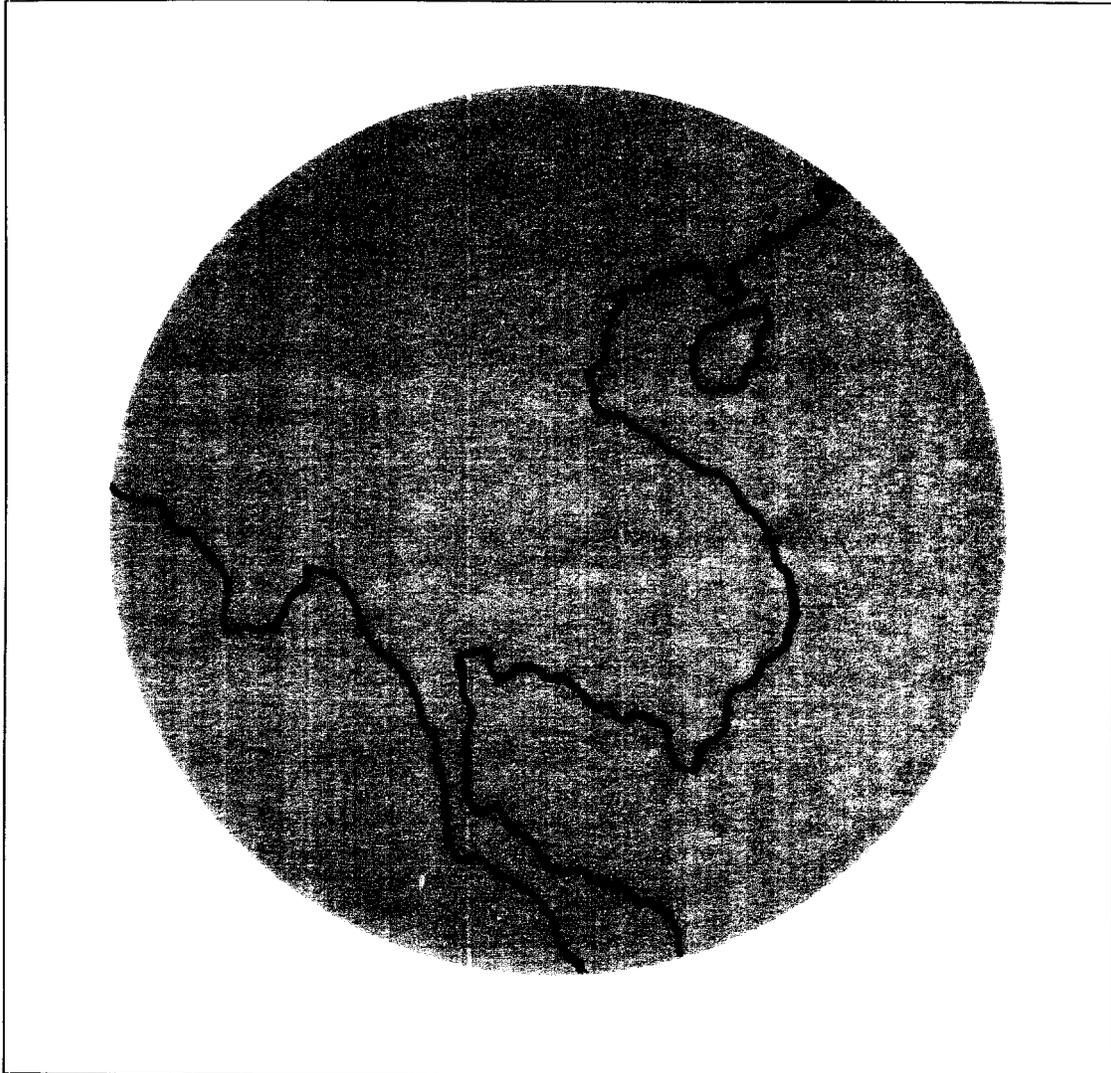
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# JAPAN



## ITS SOUTHEAST ASIAN DILEMMA

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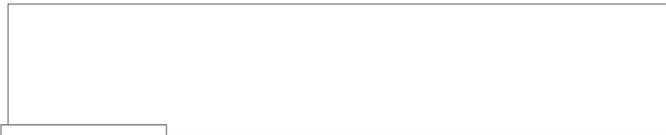
The economic colossus in Asia is emerging from its political isolation to find a "damned if you do and damned if you don't" situation. Japan is under some domestic and considerable external pressure to "live up to its responsibilities" and exert a greater role in the region, but Japan's enormous economic impact throughout Southeast Asia has rekindled old resentments and stimulated new ones. Many applaud Japan's recent political initiatives; others are suspicious about what the Japanese are up to. Tokyo is on a tightrope; it is hypersensitive to regional criticisms of the "ugly Japanese," yet aware that the changing balance of power in Asia requires that Japan make some changes too.

There is no real consensus yet in Japan on the nation's proper role in Southeast Asia. Japan has thus far been well served by its policy—or non-policy—of maintaining as low a political posture as possible, but there is an increasing realization that Japan's rapidly growing economic role lacks any over-all policy framework. Into the new equation Tokyo must fit the declining US presence, China's changing international position, and postwar Indochina.

**The World War II Legacy**

"Asia for the Asiatics" was an effective concept for the Japanese in the years immediately preceding World War II. The plan for a greater East Asia Co-prosperity Sphere seemed not without logic to a number of Southeast Asians. In economic terms it suggested that Japan would serve as the industrial and managerial nucleus, while Southeast Asia would supply raw materials and markets for Japan. After all, the Japanese were providing the kinds of products Southeast Asians wanted, while greatly undercutting the

European competition on prices. Furthermore, the Japanese, unlike the Europeans, Chinese, and Indians, employed indigenous people in their businesses, providing one of the few avenues of commercial training for such individuals. Japanese atrocities in China in the 1930s did little to harm Japan's image in Southeast Asia, in view of widespread popular dislike of local Chinese.



In some areas, the bitterness left by the brief period of Japanese military rule far exceeded anything felt by the Southeast Asians against the Western colonial powers and inhibited Japan's political role in Southeast Asia in the postwar period.

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Japanese contact with Southeast Asia was virtually nil in the first decade after the war, except through the mechanism of war reparations. The reparations negotiations were indicative of Japan's postwar approach to Southeast Asia and left considerable distaste on both sides. As in other economic transactions, the Japanese bargained intensely and, to Southeast Asians, showed an insufficient sense of guilt. For their part, the Japanese resented the obvious determination of the recipient countries to milk Japan for as much as possible.

During the 1950s Japanese involvement in Southeast Asia was economic, albeit limited. The Japanese, recognizing the resentment and suspicion of them in Southeast Asia, entertained no illusions concerning a possible political role in the area and carefully avoided any involvement which had a political or military connotation. In the

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*"We're going to have to rely on Japan for some time to come." Thanat Khoman, former Thai foreign minister—December 1972*

1960s, however, Japanese economic involvement expanded at a very rapid rate, and so did the numbers of Japanese businessmen.

### Assisting Their Neighbors

At least through the first half of the 1960s, Tokyo displayed little interest in foreign aid to Southeast Asian countries, in part because of foreign exchange problems. [redacted]

[redacted] As reparations gradually phased out, these payments were replaced by hard-term loans. These loans were virtually always tied to purchases of Japanese goods and services. One Japanese newspaper, in noting that the average rate of interest on official Japanese loans to developing countries last year stood at 3.6 percent a year, against an OECD average of 2.7 percent commented that it was small wonder that developing countries viewed Japanese aid as "economic aggression."

Tokyo has, of course, been very much aware of dissatisfaction over its aid policy, but corrective measures have been slow in coming. In response to foreign criticism, Tokyo has claimed, somewhat lamely, that insufficient capital for social overhead at home prevented much improvement in the terms and amount of aid. There was an element of political truth in this assertion. As in many countries, there has been little public support in Japan for foreign aid, especially since most Japanese have felt that their standard of living lagged far behind that of many industrial countries and therefore balked at giving away large amounts of money.

Compounding the difficulty in generating more meaningful aid programs has been the opposition of the powerful Finance Ministry, which has been resisting pressures to loosen up on the purse strings as Japan's balance-of-payments surpluses soared. Japanese prime ministers have not been able to impose their will on the Finance Ministry, nor have they tried very hard in the absence of a popular consensus on foreign aid. There has been some indication that very recently the Ministry of Finance has reached a position, at least in principle, of freeing recipients of Japanese loans from the need to spend all the money on Japanese goods and services. There is still resistance to liberalizing aid policy within the Ministry of International Trade and Industry, which naturally views aid as a useful device for stimulating Japanese exports. The Foreign Ministry, which lacks a domestic constituency, has been the only major ministry to favor liberal aid and trade policies.

It was Foreign Minister Ohira who told the Seventh Ministerial Conference on Economic Development of Southeast Asia in Saigon late last year that he would support an international agreement among donor countries aimed at untying aid. Ohira further announced that the Japanese Government had decided to allow the developing countries receiving Japanese loans to spend some of the money at home. He conceded that specific measures for implementing this decision have yet to be prepared.

### Some Obvious Benefits

The Japanese feel they have approached their postwar relations with Southeast Asia in a relatively low key. Tokyo believes, justifiably, that the region benefits from the impact of

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Japanese economic activity. The region has been the principal beneficiary of Japan's limited aid programs. Japan has been a market as well as a source of capital and technology and thus has played an even greater role in boosting the economic development of the entire region. To maintain its strong competitive edge in world markets Japan has established export-oriented industries in lower wage countries in Asia—for example electronics and motorcycle manufacture in Thailand. Typically, the Japanese take a minority interest in a firm, provide it with management skills, technology, and loans to buy capital equipment and industrial materials from Japan, and market its output in third countries like the United States. In the case of resource-rich countries like Indonesia and Australia, Japan has provided a huge market for raw materials.

Japanese clannishness, inability to speak the local language, stinginess, and proclivity for the quick profit. [redacted] 25X6

[redacted] Southeast Asians feel that European and American businessmen are often much more aware of local sensitivities than Japanese businessmen. In a sense, until relatively recently, the Japanese were a race apart with language, customs, and values quite distinct from those of other Asians. [redacted] 25X6

Japan will continue to place greater emphasis on this sort of overseas operation. Rapidly rising domestic wages and pressure for revaluation of the yen are hastening this trend. As Japan continues to stress more sophisticated products, the Southeast Asian countries will move up on the industrial scale. Since Tokyo will continue to protect its domestic producers from low-cost competition, Japanese enterprises in Southeast Asia will continue to be oriented toward sales to third countries, especially the US.

**The Anti-Japanese Syndrome**

Most Japanese have been aware that a rapid increase in the Japanese presence in Southeast Asia, even if restricted to the economic sphere, could exacerbate lingering resentments and suspicions. However well the Japanese may think they have succeeded in maintaining a low profile, from the Southeast Asian point of view, Japan has been all too visible. The rapidly growing dependence of many Southeast Asian countries on Japan as a source of imports and as a market for exports (mainly raw materials) has fostered an even more rapid growth in anxiety about potential Japanese domination of the local economies.

The tendency of many Southeast Asians to focus on the problems rather than the benefits of their relation with Japan has led to complaints of

**Too Much, Too Soon**

The imbalance in Japan's relations with Southeast Asian countries is already having political consequences. The recent anti-Japanese campaign launched by the major Thai student organization is a good example. The students, amid much fanfare, organized a ten-day boycott of Japanese goods in November 1972. Although the boycott ostensibly had no official backing, Thai authorities made little effort to control it. The students presented the National Economic Council with a petition calling for increased control of foreign employees, investment and investors, department stores, imports, shipping lines, and TV films (especially Japanese). The petitioners

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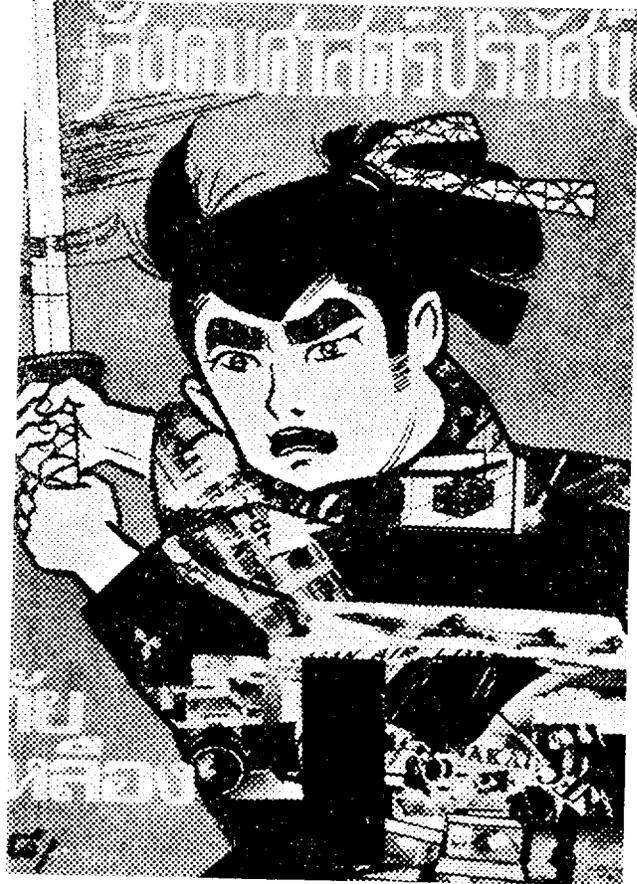
wanted stricter control over Thai Government officials dealing with foreigners.

The petitioners also asked that government agencies be forced to use Thai products whenever possible.

The worry that Thailand is becoming an economic satellite of Japan is not simply a resurrection of old World War II prejudices. Japan is by far the largest foreign investor in Thailand, with total investments exceeding those of the US and Taiwan, the second and third ranking countries, put together. Three quarters of all completely foreign-owned businesses in Thailand are owned by Japanese; only one in ten is US-owned. Japan's rapidly growing economic role in Thailand has brought large numbers of Japanese businessmen and their families into Bangkok—the present total reportedly is more than 6,000.

Japanese diplomatic and business officials in Thailand responded to the boycott in a low-key, well-reasoned way, stressing the benefits of foreign investment and offering to buy more Thai goods. The Japanese made it clear, however, that they resented Japan being singled out and suggested a positive "buy Thai" campaign would have been better than the negative "boycott Japan" approach. Japanese companies, as a precaution, reduced or suspended their advertising in local papers. Japanese business leaders in Bangkok devised a set of standards for doing business in Thailand. Drawn up by the Japan-Thailand Economic Cooperation Committee, the standards call for a less permanent billboard advertising campaign, more efforts to promote products made by Japan-Thailand joint venture firms, less Japanese visibility in joint venture firms, increased local procurement of raw materials, and a greater role for Thai employees. Tokyo also decided to untie a previous loan for \$208 million which has required procurement in Japan.

Pote Sarasin, deputy chairman of Thailand's State Council, complained after the boycott that it was caused by the way the Japanese did business in Thailand, rather than by the large trade



Thai Poster Attacking the Japanese "Menace"

imbalance in Japan's favor. The Thai leader warned that other Southeast Asian countries may follow the example of the Thai students if the Japanese do not alter their approach.

Other Thai leaders share Sarasin's dislike of Japanese trade policies. Thanat Khoman, former Thai foreign minister, has said "Japanese policy in Southeast Asia is mercantilist. They want to sell manufactured products and get raw materials." Khoman acknowledged, however, that Southeast Asians will have to rely on the Japanese for some time to come. "Most American firms," he claimed, "are not really interested in Southeast Asia and their products are too expensive and the Europeans are too engrossed in their problems."

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**Elsewhere in Southeast Asia**

Japan's economic impact in other Southeast Asian countries is also increasing rapidly. This is very apparent in Indonesia and Australia. Both are sources of raw materials for Japan's industrial machine, and both enjoy a very high favorable balance of trade vis-a-vis Japan. Both are highly dependent on the Japanese market.

Indonesia, for example, sends over half of its total exports and nearly 80 percent of its oil exports to Japan. The rapid growth in economic relations between the two countries has been an important factor in the stabilization of the Indonesian economy in recent years. On the other hand, many prominent Indonesians are already expressing concern that their country is becoming an economic satellite and that Japanese business interests could come to exert undue political influence.

In the case of Australia, the complementary nature of the two economies led to a bilateral trade amounting to about \$2.5 billion last year. Japan imports huge amounts of minerals from Australia—50 percent of the country's total mineral exports, and 90 percent of its iron ore exports. As in Indonesia, there is growing recognition in Australia that Japanese domination of the export market has its drawbacks. Canberra is unhappy over its role as a mere supplier of raw materials to Japan, and there is resentment of "mighty Japan" leaning heavily on "little Australia." Without much success, Australia has pressed Tokyo to allow greater imports of Australian manufactured and agricultural products.

in turn figure prominently in Japan's economic and political picture. Trade with the Philippines, Singapore, Malaysia, and New Zealand is growing steadily, and trade with Indochina is increasing slowly after a considerable drop-off from the peak in 1969. Trade with Burma has not grown much as the Burmese economy has deteriorated. In all of these countries, Japan maintains a low diplomatic profile.

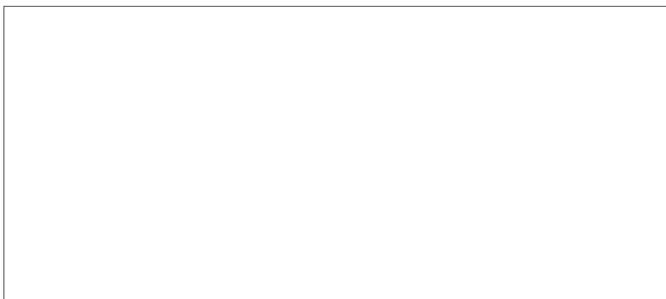
**Japan's Ambivalent Asian Role**

Despite Japan's enormous economic importance in Southeast Asia, there are a number of political and psychological limitations, like the lingering Asian animosities that restrict Tokyo's ability to play a more active regional role. Japan's basic interest in maintaining the status quo and assuring a favorable environment in which to pursue its commercial objectives has led to a foreign policy in Southeast Asia of staying out of political problems.

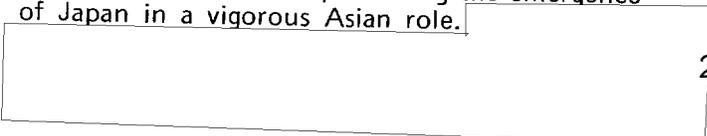
But the world balance of power that has facilitated Japan's non-involvement is changing, and for several years the Japanese have anticipated that they may soon be called upon to play a more positive role in the Southeast Asian region. The first tentative effort came in 1966 when Japan joined the Asian and Pacific Council, although the Japanese role has always been circumscribed, largely because of domestic unhappiness over the anti-Communist tinge of the organization.

The conflict in Indochina drew the Japanese further out of their shell, in part because of US pressures for diplomatic support. Tokyo played an active role in the 1970 Djakarta Conference on Cambodia, an important step from the Japanese point of view, although perhaps over-emphasized in the world press as representing the emergence of Japan in a vigorous Asian role.

Another factor drawing the Japanese out has been the emerging doubt over the US role in Southeast Asia after Vietnam. The enunciation of



The importance of Japan to the other Southeast Asian nations is no less great, but they do not



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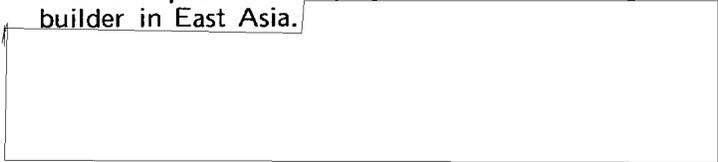
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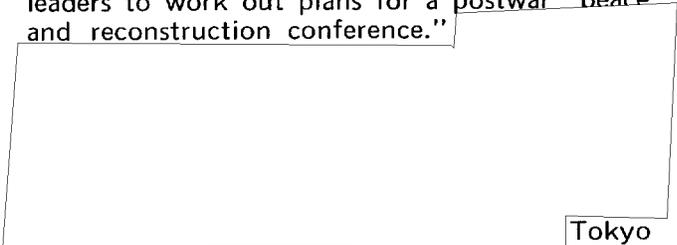
reflects the long-held belief that Japan is in an excellent position to play the role of bridge-builder in East Asia.



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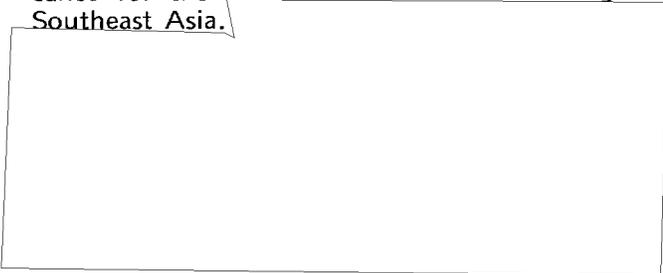
### The Vietnam Peace

Although the Japanese have felt considerable abhorrence of the war in Vietnam, most of them believe that their country can and should be involved in efforts to bring stability to Indochina. At a recent press conference Prime Minister Tanaka stated flatly that no settlement of the problem would be feasible without Japan's participation. Tanaka proposed a meeting of Asian leaders to work out plans for a postwar "peace and reconstruction conference."



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the Nixon doctrine was widely interpreted in Japan as signaling an American "withdrawal" from the region, and President Nixon's visit to China in early 1972, perhaps more than any other single event, impressed upon the Japanese that old alignments were changing. To Tokyo, the growing atmosphere of detente meant not only US withdrawal from the region, but new significance for the views and interests of Peking in Southeast Asia.



Tokyo

is somewhat irked that it was not invited to the international conference on Indochina, which will include most of the major world powers.

At a press conference on 17 January, Foreign Minister Ohira, in discussing aid to Indochina after the cease-fire, distinguished between emergency relief aid and economic development assistance. He said the Japanese Government had taken the necessary budgetary steps and was prepared to give "swift and effective" relief assistance to Indochina—South Vietnam, North Vietnam, Cambodia, and Laos—soon after the cease-fire, without necessarily waiting for the formation of a multilateral aid structure. The foreign minister indicated that his government was still deliberating on the form and amount of long-term economic assistance to be provided through a multinational consortium.

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Tokyo's longer range thinking seems to lean toward creation of a new Asian organization which would include China and Australia, key countries from the Japanese point of view. The involvement of China is of particular importance to the Japanese, as Foreign Minister Ohira recently underlined at a luncheon with foreign correspondents in Tokyo. Japan's desire to bring China into the mainstream of Asian affairs

For long-term aid, the Japanese would prefer a consortium, or something like the Asian Development Bank, to avoid the political complications

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that might arise through direct involvement. Although there have been numerous reports in the press in recent months that Japan proposed a \$2-billion reconstruction fund, the initial Japanese contribution will probably be in the neighborhood of several hundred million dollars. Before deciding how to dispense its money, Tokyo will want to examine carefully the peace arrangements. Japanese businessmen foresee large contracts for steel, machinery, electrical generating equipment, concrete, and construction projects to start with. In fact, trading in stocks of Japanese construction companies that might benefit from peace in Indochina has lately been brisk.

Tokyo will probably move slowly in developing political relations with North Vietnam. There are the problems remaining from World War II, and the Japanese will be reluctant to do anything which would further freeze the division of Vietnam.

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**Coping With The Imbalance**

Japan's world role is growing, and as part of that growth, Tokyo will begin to play a larger part not only in Indochina, but in Asian affairs in general. As Japan's economic stake in the Southeast Asian nations grows, so will Japan's interest in local political affairs. On the other hand, the Japanese will be wary of entanglements which could jeopardize economic gains and revitalize anti-Japanese feelings. Southeast Asian anxiety

that the region is about to be drawn into a new Japanese "co-prosperity sphere," reminiscent of the 1930s, is probably exaggerated. There will be several important factors that will work against a revival of the "co-prosperity" motif:

- A strong USSR and reassertive China will have their own interests in the area.
- Tokyo will continue to base its foreign policy on encouraging a major US influence in the area.
- The strong sense of nationalism in Southeast Asian countries will reduce the ability of major powers to develop a dominant position, as the Thai example points out.

Tokyo will avoid the use of military power to enhance its influence in the region and will stress multi-national solutions to regional problems. The Japanese will also increase their aid substantially, with a gradual trend toward "aid without strings" through multilateral organizations.

The next few years will probably produce an intensification of the situation in which Japan looms extremely large in importance in Southeast Asia's calculations, while Southeast Asia in relative terms does not figure as importantly in Japan's picture. In view of this imbalance, Tokyo clearly will have to exert considerable effort to prevent latent antagonisms and charges of economic domination from excessively coloring highly beneficial mutual relationships.

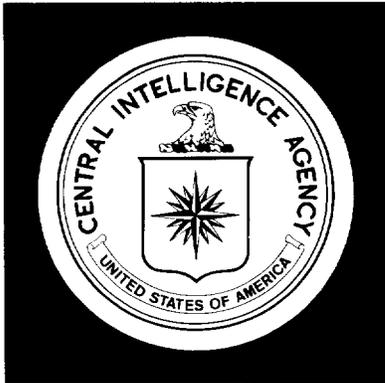


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Venezuela Looks Toward the Caribbean*

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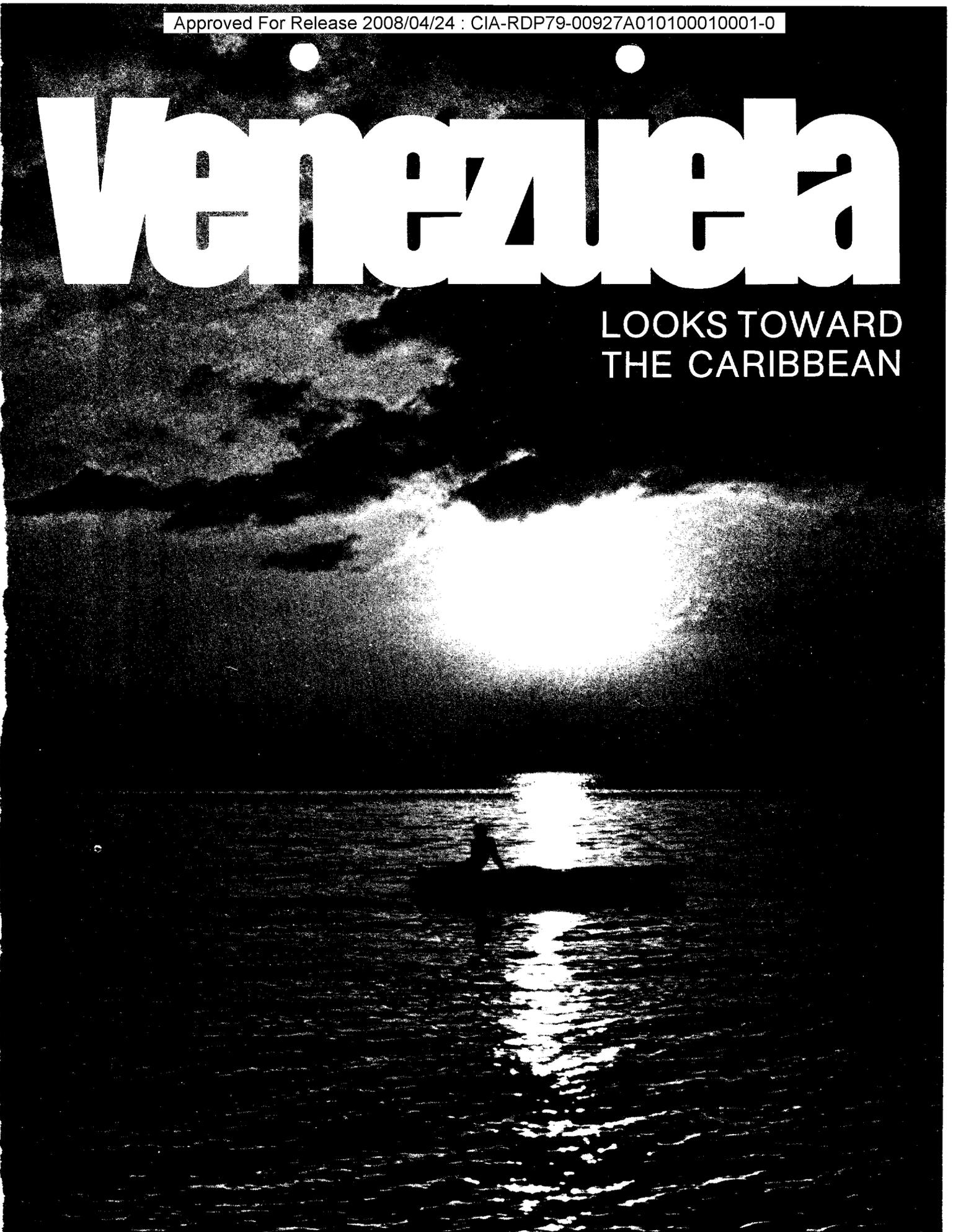
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# Venezuela

LOOKS TOWARD  
THE CARIBBEAN



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"Without denying the reasons which underlay the earlier positions, it falls to us to express a real national desire for the opening up of our foreign relations sector, with the general re-establishment of links with those Latin American countries from which we had become alienated, to no good purpose, and through the establishment or renewal of relations with other countries in the world we cannot afford to ignore."

—President Caldera, March 1970.

Prosperity, nationalism, and economic and security interests have combined in the past decade to turn Venezuela's attention toward the Caribbean as a natural area for Caracas to expand its political and economic influence. The election of the Caribbean-oriented Christian Democratic administration of President Caldera in March 1969—following a century of Andean-oriented dictators and presidents—provided the catalyst for a shift to a more active role in the area. In characterizing Venezuelan foreign policy, a leading official of the new government stated that the policy is directed toward maintaining relations with all countries, especially those which "interest us from a political, economic, and cultural point of view." The working of that foreign policy over the past few years demonstrates that it is the smaller Caribbean states and depend-

encies and the Communist government of Cuba that interest Caracas.

After coming to power in March 1969, the Christian Democratic government of President Caldera moved quickly to assert its own personality. As promised during the election campaign, the Betancourt Doctrine of not recognizing "illegal" governments—those installed by coups—in the Western Hemisphere was discarded. Within two months diplomatic relations were restored with Peru, Panama, and Argentina. In June 1972, Venezuela re-established relations with Haiti, leaving Cuba the only Caribbean nation with which Caracas does not have diplomatic ties.

The government has also pressed ahead with the previous administration's policy of closer ties with Eastern Europe. Relations have been re-established with the USSR, Yugoslavia, Poland, Romania, and Czechoslovakia. A trade mission has been dispatched to the People's Republic of China, and a small commercial agreement has been initiated.

#### **A Cordilleran State**

Until 1969, Venezuelan governments generally paid little attention to the Caribbean. Rather, their attention has focused on internal



**New Attention to the Caribbean Region...**

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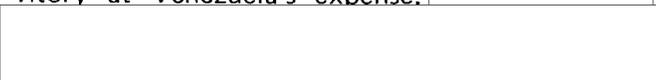
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problems and on relations with the other states in South America, with the United States, and with Europe. The Christian Democratic government's predecessor, a Democratic Action government, carried on in closer association with the Andean states than with the economically less attractive mini-states of the Caribbean. In fact, had that party been returned to power in 1968, Venezuela probably would now be a member of the Andean Pact—a five-nation economic grouping made up of Chile, Peru, Bolivia, Colombia and Ecuador—and the Caribbean would be an area of secondary interest. Both the Christian Democratic Party and President Caldera, however, look more to the north and to Europe, both in terms of ideology (Christian Democracy has its well-spring in Europe and the Venezuelan party is generously supported by Christian Democratic parties of Italy and the Federal Republic of Germany) and in terms of the economic relationships to be found among the better developed nations.

Despite Venezuela's earlier Andean orientation, it has not felt particularly close ties of friendship and sympathy with the other Latin American states and especially those states—Colombia, Brazil, Guyana—that have gained territory at Venezuela's expense.



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Venezuela was seen as much more concerned with wealth and its raw manifestations than with maintaining and fostering Latin traditions and values. Further, there is obvious economic disparity. Venezuela's gross domestic product per capita in 1971 was double the Latin American average and second only to Argentina.

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While Venezuelans see a potential threat from Brazil, the burgeoning giant on Venezuela's underdeveloped and underpopulated southern border, as well as from the "Colossus of the North" and its oil companies, as Venezuelans review their recent past they see that threats to the country's security, real or perceived, have come largely from the Caribbean area. During the latter years of the Trujillo dictatorship, the Dominican Republic and Venezuela were bitter enemies; in 1960 Trujillo tried to have President Betancourt assassinated. Cuban support for Venezuelan insurgents in the early 1960s, the Essequibo dispute with Guyana which reached a flashpoint in 1967-68, black power troubles in Curacao (1968) and in Trinidad and Tobago (1970), and the dispute with Colombia over territorial sea and continental shelf rights have turned Venezuela's attention forcibly to its Caribbean neighbors. Venezuela's sensitivity to political instability in Curacao or Trinidad is

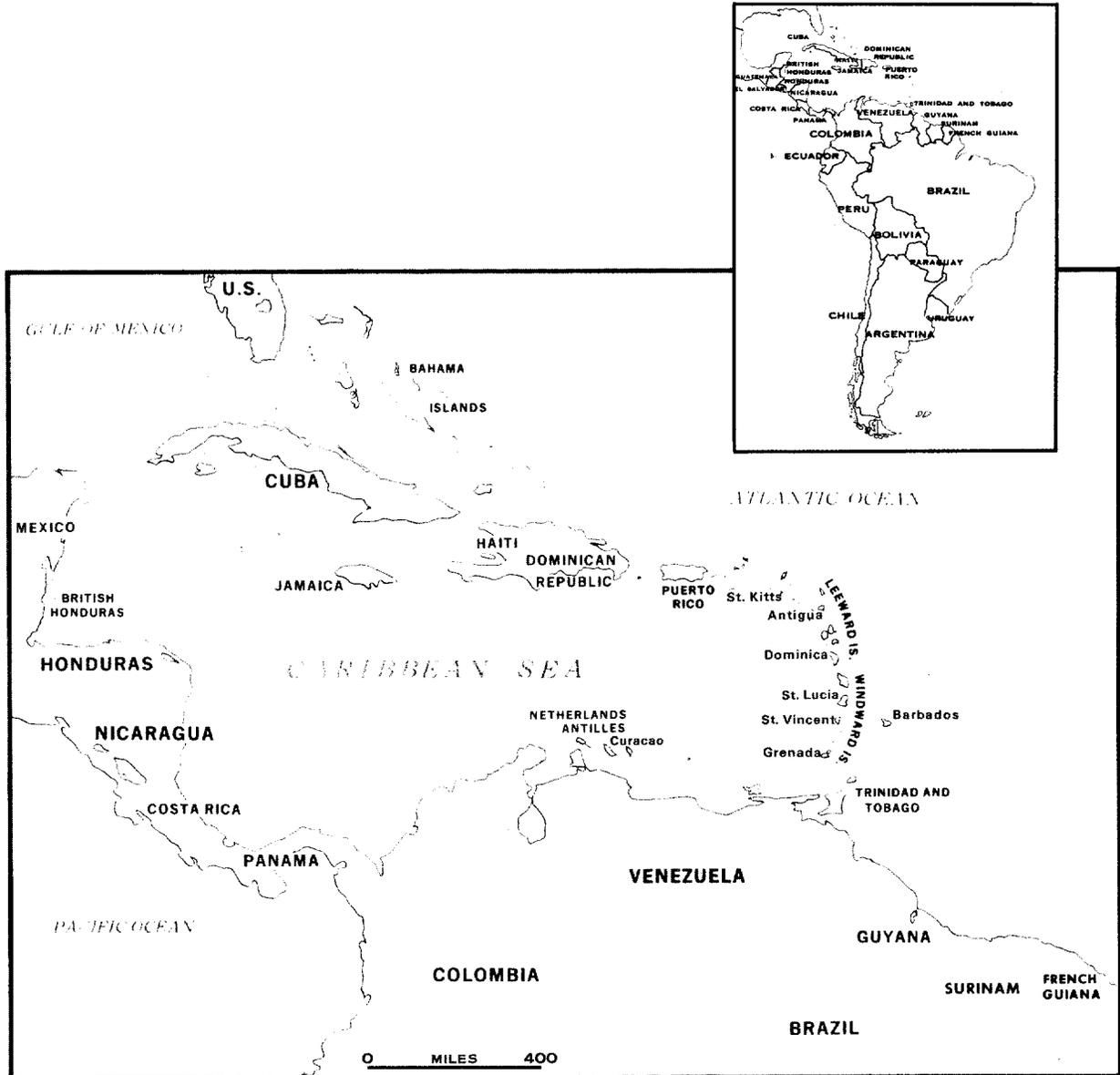
by a Traditionally Andean Nation



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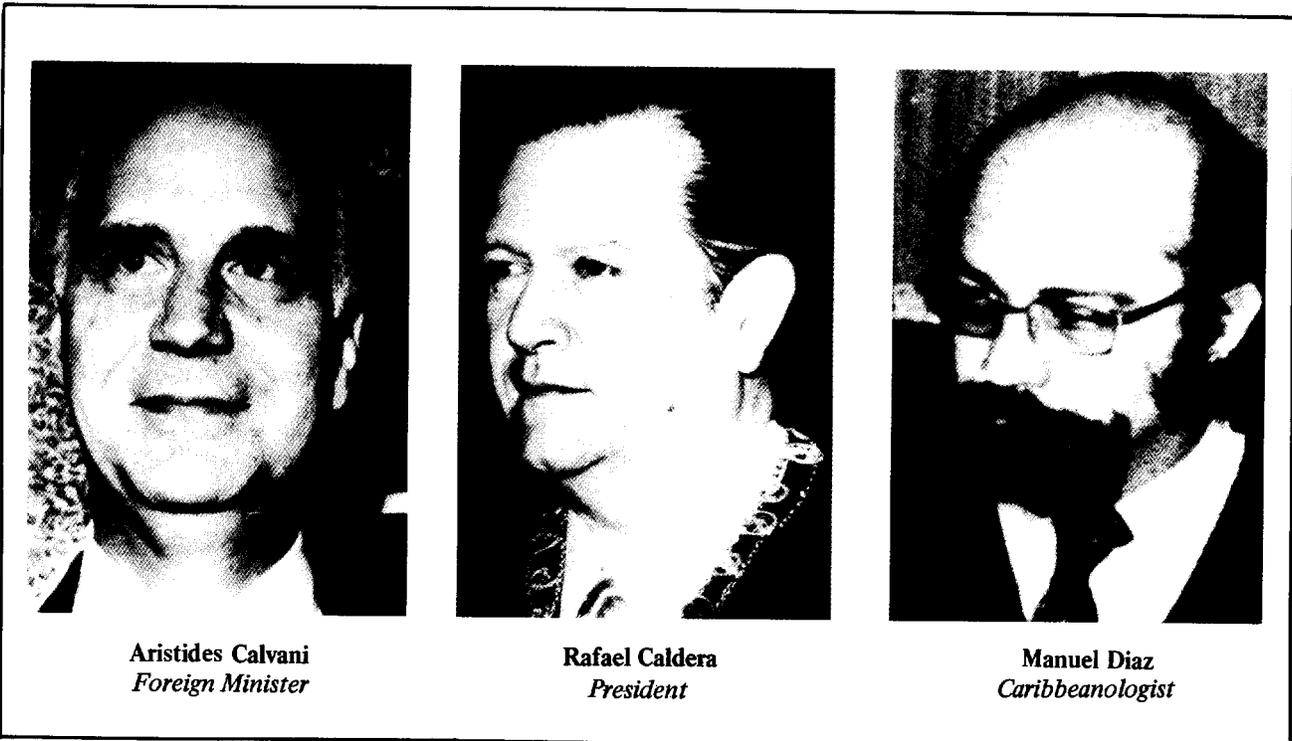
heightened by the fact that Caracas sends about 60 percent of its crude oil to these islands to be refined.

Consequently, when the Christian Democrats came to power in March 1969, the Caldera administration began to foster closer ties with these neighbors. The non-Caribbean neighbors were not ignored—witness Caracas' negotiations to enter the Andean Pact—but rather for the first time Caribbean affairs merited equal attention. In a speech the following year, the Venezuelan Navy's leading Caribbeanologist and Director of the Navy War College, Captain Manuel Diaz Ugeto, pinpointed Venezuela's responsibilities and commitments in this area. "Venezuela's sea is the Caribbean," he said, adding that an opening to the Caribbean would be the most important step in the coming of age of Venezuela in the international arena. He characterized this process as "the best alternative for the country's maritime aspirations and an appropriate balance for Venezuela's relations with the South American con-

tinents." The forty-year-old Diaz is highly respected by President Caldera and is a naval consultant on complex foreign policy issues. On 1 February, Diaz was appointed chief of the President's military household, a position which is prestigious and a stepping stone to higher rank.

### The Architect

The leading force in this policy departure is Foreign Minister Aristides Calvani, who was born in Trinidad of Venezuelan parents. A feature of Calvani's foreign policy is a conviction that personal contact counts for much in the international field, and in his four years as Venezuela's "Henry Kissinger," Calvani has visited every Caribbean capital except Port-au-Prince and Havana. He is a leading ideologue in the Christian Democratic Party and a strong believer in the virtues of Christian Democracy as an alternative between Communism and capitalism. Calvani holds that it is Venezuela's manifest destiny to



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